

COMMONWEALTH OF VIRGINIA



Virginia Enterprise Applications Program

FM08 Performance Budgeting

Updated Financial Management (FM) and Performance Budgeting (PB) Future State Business Process Best Practice Environment Definition Document

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1. Introduction

This Deliverable documents the collection, analysis, and definition of the high level business process functions and functional requirements of the *Financial Management – Performance Budgeting* business area within the Virginia Enterprise Application Program (VEAP). This Deliverable focuses on the business processes and functional requirements identified by the VEAP to satisfy the needs of the Commonwealth's stakeholders and the target users. This document includes the purpose, scope, business reengineering opportunities, process threads, requirements, definitions, and references of this future state environment definition. The Future State Environment Definition Documents provide a critical foundation for the Financial Management and Performance Budgeting solutions as they are the basis for the fit-gap analysis as well as implementation activities including software design and configuration, testing, procedures documentation, training, business process reengineering, and organization design.

1.1 VEAP Background

The Virginia Enterprise Applications Program (VEAP) Vision

- *Provide the Commonwealth with best practice business processes supported by a suite of commercial-off-the-shelf (COTS) enterprise solutions – consistent with Virginia's position as a Best Managed state and a financial and technology leader.*
- *Transform administrative operations by consolidating and modernizing the service delivery models and supporting applications for the Commonwealth's Financial Management, Human Resources Management, Administrative Management, and Supply Chain Management resulting in superior resource management and improved performance.*

Through the Commonwealth's Public Private Educational Facilities and Infrastructure Act (PPEA) of 2002, which brings private sector innovation and investment to state government projects, the Commonwealth has undertaken an initiative to identify areas of the Commonwealth's operations that could be significantly improved by undertaking an enterprise-wide reengineering and resolutioning of business processes common across the Executive Branch of government. The Virginia Enterprise Application Program (VEAP) is one such effort, as part of the initiative, undertaken by the Commonwealth.

The VEAP is a seven year program to consolidate and modernize the business processes and enterprise applications of the Commonwealth of Virginia (COVA). The initiative will enhance efficiency, increase productivity, and provide more effective delivery of services. The Program's scope includes Financial Management; Human Resource Management; Administrative Management; and Supply Chain Management. It is important to remember that VEAP is not just a project to replace old systems with newer technology. The Program also is intended to focus on opportunities to reengineer business practices and to achieve efficiencies whenever possible.

The implementation will be accomplished over a multi-year period and will be managed through phased rollouts. Phase I of the VEAP will result in an integrated, fully-functional Financial Management and Performance Budgeting solution and related business processes. The targeted implementation dates are June 2008 for Performance Budgeting and June 2009 for Financial Management.

Many Commonwealth agencies conduct their business processes - such as accounting, payroll, budgeting, personnel management, and travel - through repetitive systems, leading to inefficiencies, excessive manual input, and

duplication. For example, only eleven percent (11%) of financial transactions made by COVA agencies originate in the Commonwealth's central accounting system, with many agencies using systems that they have acquired or developed in-house over time to suit their specific needs. This has led to fractured processes, multiple systems, time-consuming reconciliation of data, and reduced central oversight. Many of these systems are old, obsolete, and inflexible and have too few staff in both the public and private sectors with the know-how to operate and service them. This limited knowledge base presents a risk to the Commonwealth's administrative operations.

1.2 VEAP Phase I Scope

During Phase I, the Commonwealth Accounting and Reporting System (CARS) and the budget development (PROBUD) system will be replaced and a new statewide Chart of Accounts will be implemented.

The agencies that will be affected by the Phase I implementation are:

- all agencies that currently utilize CARS as their primary accounting system (enter information on-line to CARS) will use the new solution, and
- agencies that currently interface data to CARS will interface to the new solution.

The agencies that will be affected by implementation of the Performance Budgeting solution are:

- all agencies that currently use PROBUD.

Four additional agency legacy financial management systems will be replaced as part of Phase I (Department of General Services, Virginia Employment Commission, Virginia Information Technologies Agency and Virginia Department of Transportation). All other Executive branch, non-higher education agencies that have their own legacy financial management system will be implemented in a future phase of the VEAP.

The Phase I Planning activity is the process of completing the general design and implementation plan for these two solutions. As stated previously, Phase I of VEAP includes Enterprise Financial Management and Performance Budgeting solutions. Future State Environment Definition Documents have been drafted for each of the following business areas:

- General Accounting,
- Cost Accounting,
- Fixed Assets,
- Accounts Payable,
- Accounts Receivable,
- Purchasing,
- Performance Budgeting, and
- Time and Attendance, Labor Distribution, and Leave Accounting.

The following agencies were invited to participate in the Workshop Session reviews of the *Future State Environment Definition Document - Financial Management – Performance Budgeting* to corroborate and provide input to the proposed business process threads:

- Department of Agriculture and Consumer Services (VDACS),
- Department of Charitable Gaming (DCG),
- Department of Education (DOE),
- Department of Environmental Quality (DEQ),
- Department of General Services (DGS),
- Department of Health (VDH),
- Department of Housing and Community Development (DHCD),
- Department of Juvenile Justice (DJJ),
- Department of Mines, Minerals, and Energy (DMME),
- Department of Motor Vehicles (DMV),

- Department of Social Services (DSS),
- Department of Taxation (TAX),
- Department of Transportation (VDOT),
- State Corporation Commission (SCC),
- Virginia Employment Commission (VEC),
- Virginia Information Technologies Agency (VITA),
- Virginia Museum of Fine Arts (VMFA), and
- Virginia Retirement System (VRS).

1.3 Future State Business Process / Best Practice Environment Definition Documents

Completing the Future State Business Process / Best Practice Environment Definition Documents is one of the primary tasks of Phase I Planning. Defining the Future State means addressing and analyzing the best practice business processes, change impacts, organizational design, and functional requirements for each business area. During this effort, CGI and the Commonwealth of Virginia (COVA) will:

- analyze current business processes – review and update business process descriptions documented in the Draft Financial Management (FM) and Performance Budgeting (PB) Future State Business Process / Best Practice Environment Definition Documents,
- identify business process reengineering opportunities,
- define the Future State Environment – document how business processes should be executed with the new enterprise solution, using best practice in conjunction with Commonwealth specific requirements,
- identify any organizational impacts that should be considered with the new enterprise solution,
- validate the functional requirements documented in the Draft Financial Management (FM) and Performance Budgeting (PB) Future State Business Process / Best Practice Environment Definition Documents,
- add necessary requirements,
- remove unnecessary requirements,
- prioritize requirements by business impact,
- identify the organizational impact of the requirements (enterprise-wide vs. agency-specific), and
- finalize the list of functional requirements.

The Final FM & PB Future State Business Process / Best Practice Environment Definition Documents will be used to drive the Fit/Gap Analysis, create several sections of the Final General Design and Implementation Plan deliverable, and develop cost estimates. The document will also be used in subsequent phases of VEAP such as during detailed design and testing. For example, the functional requirements will eventually be further divided into detailed system/technical requirements and used to create test cases/scripts; the defined process threads will drive the execution of business process reengineering efforts during implementation and support the development of training materials.

1.4 Purpose

The Future State Environment Definition Document describes the needs, stakeholders, legal and process reforms, process threads, and functional requirements that should be available in a *Financial Management – Performance Budgeting* business process solution. This document identifies the activities associated with the *Financial Management – Performance Budgeting* business process threads for the Commonwealth, as well as the stakeholders and users associated with such processes. In addition, this document describes high level business processes along with the functional requirements associated with these business processes. All functional requirements are marked with a priority of (1) Mandatory, (2) Desirable or (3) Optional and are identified as Enterprise or agency-specific where necessary.

1.5 Scope

This particular future state environment document defines the process threads associated with the following business processes:

- Strategic Planning,
- Operating Budget Development,
- Six-Year Financial Plan,
- Budget Reductions,
- Capital Budget Development,
- Agency Spending Plans, and
- Publishing.

1.6 Document Outline

The remainder of the document contains the following sections:

Section 2 – Positioning. This section briefly describes the business problems inherent in the current environment and the opportunities for implementation of the Enterprise Resource Planning (ERP) solution.

Section 3 – Stakeholder and User Descriptions. This section identifies the Commonwealth and outside organizations that have a significant stake in the process and the success of the project. The on-going roles and responsibilities are described for the Stakeholders and Users along with their organizations.

Section 4 – Key Product Requirements. This section introduces the future state environment by identifying the three to six overarching business concepts that will be provided by the ERP solution to address major weaknesses in the current environment.

Section 5 – Process Thread Summary. This section documents the specific characteristics of the future state environment. The major business processes are defined within each business area, the key steps in each process, and the specific system capabilities required to support the function in a manner that permits the Commonwealth to meet mandates in an efficient manner.

Section 6 – Process Thread Detail Description. This section describes how each business process thread defined in the previous section is performed in the ERP solution. Each process is described in flowchart and tabular format and each process detail step is numbered sequentially within each process thread.

Section 7 – Product Requirements. The product requirements are contained in Appendix A and define the specific features and capabilities that the ERP solution must provide in order to support the defined future state environment and achieve the described benefits. These requirements describe what the system needs to do, but not how it must be done.

Section 8 – Data Flow Details. This section details the flows of data both in and out of the business process. The graphics contained in this section identify the impacts to existing systems and processes as they relate to each agency in the Commonwealth.

Section 9 – References. This section contains the sources of information used as references to the business process. The terms used in the document along with the definitions of those terms are also included in this section.

2. Positioning

This section of the Future State Environment Definition Document describes the overall business opportunity for the *Financial Management – Performance Budgeting* business process. In addition, this section describes some of the high level changes that need to occur, states the current problems in the existing environment, and identifies the potential benefits that could be achieved through the ERP solution.

2.1 Business Opportunity

The Virginia Enterprise Application Program (VEAP) Team strongly believes that a comprehensive solution to the Commonwealth's business concerns involves much more than simply installing new technology. Rather, a complete solution is the integration of technology, process, people, and approach in a manner that recognizes the unique aspects of the current situation and the future. The solution we envision for VEAP in the area of financial and operational accounting considers all these elements.

The Commonwealth currently relies on numerous systems, applications, and processes to support the *Financial Management – Performance Budgeting* business process. The recommended ERP solution would include the following elements:

- a modern, public sector-oriented, integrated Financial System as the core of the new architecture,
- a service delivery organizational structure that recognizes the wide range of differences among the various Commonwealth agencies and provides the flexibility for each agency to execute business processes in the manner and with a staffing structure that best meets its needs, and
- a phased implementation approach that gives the Commonwealth the opportunity to carefully control costs and risks, and to make implementation and rollout decisions based upon both project performance and other future conditions.

At a minimum, this commercially available application would replace PROBUD and WebBEARS and a significant percentage of the function-specific modules that have been developed by many agencies to address PROBUD and WebBEARS deficiencies.

2.1.1 Systems

Today the Commonwealth's strategic planning and budget development processes use a wide range of disparate systems. These systems have limited integration and interfacing capabilities. A common problem shared throughout the enterprise is the need for essentially the same budget data to be entered multiple times. Because of this, a great amount of time and effort is spent double-checking and verifying data to make sure it is "in balance." The current strategic planning and budget development processes use the following systems:

PROBUD A collection of systems used by DPB to manage state budget data. PROBUD includes a master database known as the BDM (budget development master file), which runs on the Commonwealth's mainframe computer system.

- Executive Branch Agencies,
- Judicial Branch Agencies, and
- Legislative Branch Agencies.

WebBEARS A system used by agencies and DPB to enter budget requests and recommendations.

- Executive Branch Agencies,
- Judicial Branch Agencies, and
- Legislative Branch Agencies.

Strategic Planning A web-based system designed for strategic and service area planning data.

- Board of Accountancy (BOA),
- Commonwealth's Attorneys' Services Council (CASC),
- Compensation Board (CB),
- Comprehensive Services for At-Risk Youth and Families (CSA),
- Department for the Aging (VDA),
- Department for the Blind and Vision Impaired (DBVI),

- Department for the Deaf and Hard-of-Hearing (VDDHH),
- Department of Accounts (DOA),
- Department of Agriculture and Consumer Services (VDACS),
- Department of Alcoholic Beverage Control (ABC),
- Department of Aviation (DOAV),
- Department of Business Assistance (DBA),
- Department of Charitable Gaming (DCG),
- Department of Conservation and Recreation (DCR),
- Department of Correctional Education (DCE),
- Department of Corrections (DOC),
- Department of Criminal Justice Services (DCJS),
- Department of Education (DOE),
- Department of Emergency Management (DEM),
- Department of Employment Dispute Resolution (EDR),
- Department of Environmental Quality (DEQ),
- Department of Fire Programs (DFP),
- Department of Forensic Science (DFS),
- Department of Forestry (DOF),
- Department of Game and Inland Fisheries (DGIF),
- Department of General Services (DGS),
- Department of Health (VDH),
- Department of Health Professions (DHP),
- Department of Historic Resources (DHR),
- Department of Housing and Community Development (DHCD),
- Department of Human Resource Management (DHRM),
- Department of Juvenile Justice (DJJ),
- Department of Labor and Industry (DOLI),
- Department of Medical Assistance Services (DMAS),
- Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS),
- Department of Military Affairs (DMA),
- Department of Mines, Minerals and Energy (DMME),
- Department of Minority Business Enterprise (DMBE),
- Department of Motor Vehicles (DMV),
- Department of Planning and Budget (DPB),
- Department of Professional and Occupational Regulation (DPOR),
- Department of Rail and Public Transportation (DRPT),
- Department of Rehabilitative Services (DRS),
- Department of Social Services (DSS),
- Department of State Police (VSP),
- Department of Taxation (TAX),
- Department of the Treasury (TD),
- Department of Transportation (VDOT),
- Department of Veterans Services (DVS),
- Eastern Virginia Medical School (EVMS),
- Frontier Culture Museum of Virginia (FCMV),
- Governor's Office for Substance Abuse Prevention (GOSAP),
- Gunston Hall (GH),
- Human Rights Council (HRC),
- Innovative Technology Authority (ITA),
- Institute for Advanced Learning and Research (IALR),
- Jamestown 2007 (J2007),
- Jamestown-Yorktown Foundation (JYF),
- Jefferson Science Associates, LLC (JSA),
- Marine Resources Commission (MRC),

- Motor Vehicle Dealer Board (MVDB),
- New College Institute (NCI),
- Office of Commonwealth Preparedness (OCP),
- Roanoke Higher Education Authority (RHEA),
- Southern Virginia Higher Education Center (SVHEC),
- Southwest Virginia Higher Education Center (SWHEC),
- State Board of Elections (SBE),
- State Council of Higher Education for Virginia (SCHEV),
- The Library of Virginia (LVA),
- The Science Museum of Virginia (SMV),
- Virginia Board for People with Disabilities (VBPD),
- Virginia Commission for the Arts (VCA),
- Virginia Economic Development Partnership (VEDP),
- Virginia Employment Commission (VEC),
- Virginia Information Technologies Agency (VITA),
- Virginia Museum of Fine Arts (VMFA),
- Virginia Museum of Natural History (VMNH),
- Virginia Port Authority (VPA),
- Virginia Racing Commission (VRC),
- Virginia School for the Deaf and the Blind at Staunton (VSDBS),
- Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (VSDBMH),
- Virginia Tourism Authority (VTA), and
- Woodrow Wilson Rehabilitation Center (WWRC).

DLAS The Division of Legislative Automated Systems (DLAS) uses its own system to generate and track changes to the budget bill. This system utilizes multiple technologies including Microsoft Word documents, HTML files, and COBOL programs. The system is currently not integrated with either DPB's budget development process or the legislative appropriations process.

- Department of Planning and Budget (DPB), and
- Division of Legislative Automated Systems (DLAS).

Microsoft Access

Databases Many different Microsoft Access databases are developed to meet specific and changing needs. Databases have been designed to support virtually all budget development processes. In addition, two small database systems (Budgetwise and Expendwise) have been developed to provide budget and expenditure data queries.

- Executive Branch Agencies,
- Legislative Branch Agencies, and
- Judicial Branch Agencies.

VA Performs A web-based system that manages and reports performance measure data.

- Board of Accountancy (BOA),
- Commonwealth's Attorneys' Services Council (CASC),
- Compensation Board (CB),
- Comprehensive Services for At-Risk Youth and Families (CSA),
- Department for the Aging (VDA),
- Department for the Blind and Vision Impaired (DBVI),
- Department for the Deaf and Hard-of-Hearing (VDDHH),
- Department of Accounts (DOA),

- Department of Agriculture and Consumer Services (VDACS),
- Department of Alcoholic Beverage Control (ABC),
- Department of Aviation (DOAV),
- Department of Business Assistance (DBA),
- Department of Charitable Gaming (DCG),
- Department of Conservation and Recreation (DCR),
- Department of Correctional Education (DCE),
- Department of Corrections (DOC),
- Department of Criminal Justice Services (DCJS),
- Department of Education (DOE),
- Department of Emergency Management (DEM),
- Department of Employment Dispute Resolution (EDR),
- Department of Environmental Quality (DEQ),
- Department of Fire Programs (DFP),
- Department of Forensic Science (DFS),
- Department of Forestry (DOF),
- Department of Game and Inland Fisheries (DGIF),
- Department of General Services (DGS),
- Department of Health (VDH),
- Department of Health Professions (DHP),
- Department of Historic Resources (DHR),
- Department of Housing and Community Development (DHCD),
- Department of Human Resource Management (DHRM),
- Department of Juvenile Justice (DJJ),
- Department of Labor and Industry (DOLI),
- Department of Medical Assistance Services (DMAS),
- Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS),
- Department of Military Affairs (DMA),
- Department of Mines, Minerals and Energy (DMME),
- Department of Minority Business Enterprise (DMBE),
- Department of Motor Vehicles (DMV),
- Department of Planning and Budget (DPB),
- Department of Professional and Occupational Regulation (DPOR),
- Department of Rail and Public Transportation (DRPT),
- Department of Rehabilitative Services (DRS),
- Department of Social Services (DSS),
- Department of State Police (VSP),
- Department of Taxation (TAX),
- Department of the Treasury (TD),
- Department of Transportation (VDOT),
- Department of Veterans Services (DVS),
- Eastern Virginia Medical School (EVMS),
- Frontier Culture Museum of Virginia (FCMV),
- Governor's Office for Substance Abuse Prevention (GOSAP),
- Gunston Hall (GH),
- Human Rights Council (HRC),
- Innovative Technology Authority (ITA),
- Institute for Advanced Learning and Research (IALR),
- Jamestown 2007 (J2007),
- Jamestown-Yorktown Foundation (JYF),
- Jefferson Science Associates, LLC (JSA),
- Marine Resources Commission (MRC),
- Motor Vehicle Dealer Board (MVDB),
- New College Institute (NCI),

- Office of Commonwealth Preparedness (OCP),
- Roanoke Higher Education Authority (RHEA),
- Southern Virginia Higher Education Center (SVHEC),
- Southwest Virginia Higher Education Center (SWHEC),
- State Board of Elections (SBE),
- State Council of Higher Education for Virginia (SCHEV),
- The Library of Virginia (LVA),
- The Science Museum of Virginia (SMV),
- Virginia Board for People with Disabilities (VBPD),
- Virginia Commission for the Arts (VCA),
- Virginia Economic Development Partnership (VEDP),
- Virginia Employment Commission (VEC),
- Virginia Information Technologies Agency (VITA),
- Virginia Museum of Fine Arts (VMFA),
- Virginia Museum of Natural History (VMNH),
- Virginia Port Authority (VPA),
- Virginia Racing Commission (VRC),
- Virginia School for the Deaf and the Blind at Staunton (VSDBS),
- Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (VSDBMH),
- Virginia Tourism Authority (VTA), and
- Woodrow Wilson Rehabilitation Center (WWRC).

In addition to DPB's systems, the Commonwealth has a collection of central and agency financial and service delivery systems that are used in the strategic planning and budget processes.

Exhibit 2.2 - FM08 Performance Budgeting – Performance Budgeting Timeline

	Year 1											
	J	F	M	A	M	J	J	A	S	O	N	D
Strategic Planning												
Strategic Plan Updates												
Performance Assessments												
Operating Budget Development												
Six-Year Financial Plan												
Capital Budget Development												
Agency Spending Plans												
GF Revenue Estimates												

	Year 2											
	J	F	M	A	M	J	J	A	S	O	N	D
Strategic Planning												
Strategic Plan Updates												
Performance Assessments												
Operating Budget Development												
Six-Year Financial Plan												
Capital Budget Development												
Agency Spending Plans												
GF Revenue Estimates												

	Year 1											
	J	F	M	A	M	J	J	A	S	O	N	D
Strategic Planning												
Strategic Plan Updates												
Performance Assessments												
Operating Budget Development												
Six-Year Financial Plan												
Capital Budget Development												
Agency Spending Plans												
GF Revenue Estimates												

Strategic Planning

The agency strategic plan is the vehicle for the agency to tell its story and document its challenges. It provides guidance to the agency's departments through strategic goals that align with the long-term objectives developed by the Council on Virginia's Future. The strategic plan is a management tool used by agency leaders to monitor the agency's overall performance and make course corrections as needed. Elements of the agency strategic plan include:

- a mission statement of the overall purpose of the agency,
- a vision of the ideal future of the agency,
- an optional section where the agency may state its values,
- an "executive progress report" that provides an overview of the current performance of the agency's service areas, progress achieved, challenges being faced, and direction for the future,
- background information on the agency's statutory authority, its customers, its partners, its products and services, and its resources, and
- goals that provide broad statements of the long-term results needed to accomplish the agency's mission and achieve its vision.

The service area plan (like the agency strategic plan) is the vehicle for the service area to tell its specific story and document its challenges. The service area plan is more specific than the strategic plan in that it covers strategic issues as well as operational issues. Directors, managers, and supervisors within an agency use the service area plan as a management tool to assist them in monitoring the performance of the service area and to guide activities through the use of objectives and strategies. It is also used to identify budgetary requirements in support of those activities. The objectives and strategies will also align with the agency's strategic goals and mission.

A service area is generally an area of expenditure that supports one or more products or services. A service area can cut across more than one organizational unit within an agency. Each service area forms the basic unit of budgeting and planning. Elements of the service area plan include background information describing the service area, its alignment to the agency's mission, its statutory authority, its customers, its partners (optional), its products and services, and its resources. The service area plan also includes objectives and measures, including a description of the objectives, their alignment with the agency's goals, their priority, information about the related performance measures, and objective strategies.

Each service area plan must include at least one objective, and each objective must have at least one performance measure. Agencies also must identify key objectives and performance measures, which may be overarching and cross multiple service areas or which may be contained within a single service area. These key objectives and measures are focused on the agency's core public mission. Agencies are strongly encouraged to use outcome performance measures, especially for their key performance measures.

Agencies submit their initial biennial strategic and service area plans during June/July of odd-numbered years. These submissions are based on the agencies' base budgets. The plans are updated the following April/May to align with the final budget. The plans are submitted to the Department of Planning and Budget using a web-based application and each agency's plan is posted on its website. Agency performance measure data is entered and reported on the Virginia Performs website. Each measure includes a measurement methodology, baseline, target, measurement frequency (i.e., monthly, quarterly, semiannual, or annual), and historical performance data if available. There is also information regarding the measure type and preferred trend, as well as an indication if the measure is a key measure.

Agencies also are responsible for updating the Management Scorecard, which is a tool where agencies self-report annually (through the Virginia Performs website) regarding their performance in six major areas: human resource management, government procurement, financial management, IT/enterprise architecture initiatives, performance management, and environmental and historic resource stewardship. The agencies rate themselves as either "meets expectations," "progress towards expectations" or "below expectations" in each area according to specified criteria.

Operating Budget Development

The first step in developing the Governor's biennial executive budget is development of the base budget. The Department of Planning and Budget (DPB) issues instructions during the summer in odd-numbered years for agencies to begin the process. The beginning base budget for the new biennium is the second-year appropriation for dollars and positions in the prior biennium. DPB's instructions to agencies include overall agency targets for general fund and nongeneral fund appropriations (both dollars and positions) for each year of the new biennium. (These targets will be the same for each year of the biennium.) The instructions may also include a number of base budget adjustments identified by DPB. Base budget adjustments are changes to an agency's base budget that do not involve policy decisions. Once agencies have submitted their base budgets and base budget adjustments in late summer, DPB budget analysts review each submission. Budget analysts note if the agency is proposing to do anything differently from the prior biennium and may recommend changes to the agency's base budget plan, including changes to the agency's position level as a result of planned turnover and vacancy savings.

In odd-numbered years, agencies submit any proposed technical adjustments at the same time that they submit their base budgets and base budget adjustments. In even-numbered years (amended budget bills), agencies may be required to submit proposed technical adjustments prior to submission of new or expanded initiatives (decision packages), or they may be required to submit both at the same time. Similar to base budget adjustments, technical adjustments are changes to an agency's base budget that do not involve policy decisions. DPB budget analysts are responsible for reviewing the proposed technical adjustments and recommending approval or disapproval. Analyst recommendations are reviewed by DPB management, the Secretary of Finance's Office, and possibly the Governor's Office.

In early fall, DPB issues instructions for agency submission of proposed new or expanded initiatives (decision packages) as well as several legislative reporting forms related to federal grants, federal spending, and organizational memberships. In odd-numbered years, these instructions are issued after agencies submit their base budgets and any base budget adjustments and technical adjustments.

A decision package is a proposal to modify (incrementally) an agency's base budget or existing budget or to modify language. Each decision package costs out and justifies one budget action. The action proposed in each decision package is a discrete unit that can be evaluated on its own merit, independently of any other proposals. Under certain circumstances, several strategies or actions may be tightly interrelated and cannot be viewed independently. In those cases, they may be grouped together in one decision package. In addition, DPB may generate decision packages, which are usually secretarial or gubernatorial initiatives.

Amendments to the Commonwealth's budget at mid-biennium (the amended budget bill) are generally limited to emergencies, legislative or court-ordered mandates, prior commitments, and critical needs. Amendments to the amended appropriation act (the "caboose bill"), which are developed and enacted in the second year of the biennium, are even more limited and generally restricted to emergencies. In addition, there is no formal agency request or submission process for caboose bill amendments; such amendments are usually generated by DPB. DPB budget analysts are responsible for reviewing the requests and recommending approval or disapproval. Analyst recommendations are reviewed by DPB management, the Secretary of Finance's Office, and the Governor's Office.

Each fall, as part of budget development, state agencies and institutions prepare six-year projections for each source of nongeneral fund revenue they collect. The projections for these individual sources are then aggregated to form the official nongeneral fund revenue forecast included in the Governor's introduced budget. Once the projections have been submitted, DPB reviews the estimates to ensure that estimated spending does not exceed estimated revenues (including available balances). In those cases where there is projected excess spending, the DPB budget analyst is responsible for resolving the issue.

Six-Year Financial Plan

The Governor is required to submit a six-year financial plan to the General Assembly at the beginning of each regular legislative session held in an even-numbered year. The plan includes the projected revenues and

recommended appropriations for the next two fiscal years that are included in the Governor's introduced budget as well as estimates of anticipated revenues and spending over an additional four-year period. Separate financial data are presented for the general fund and the nongeneral fund portions of the budget.

DPB prepares the six-year financial plan with agency input. For example, each fall agencies are required to submit to DPB estimates of anticipated out-year spending increases or decreases that are not submitted as part of a decision package. (Occasionally, the Governor has asked DPB to prepare six-year financial plans in odd-numbered years and to assess the six-year impact of House, Senate, and Conference Committee budget actions.) The six-year financial plan is prepared in a Microsoft Excel spreadsheet and also includes a Microsoft Word document that provides detailed assumptions for each area of the state budget. The plan is posted on DPB's website in January of each even-numbered year.

Budget Reductions

Article X, Section 7 of the Virginia Constitution mandates the Governor to maintain a balanced budget. In addition, the Appropriation Act states that all appropriations are payable only to the extent that the Governor estimates that revenues will be sufficient. The Act also authorizes the Governor to effect spending reductions when the General Assembly is not in session and after submitting a re-estimate of revenues. The Governor is permitted to reduce general fund and nongeneral fund spending by either a uniform percentage, a graduated reduction, on an individual basis, or by a combination of these three actions (up to a maximum of 15 percent).

Depending on when the need for budget reductions is first identified, reductions may be implemented either administratively or through the budget process. Generally, the first step is the development of a reduction base. Some activities and programs of agencies are exempt from reductions in order to preserve critical or essential functions. The reduction base is calculated by subtracting the amounts for these exempted activities from agencies' legislative appropriations. The next step involves agency development and submission of budget reduction plans (usually there are alternative scenarios using different percentage reductions).

DPB budget analysts are responsible for reviewing the budget reduction plans and developing recommendations. Analyst recommendations are reviewed by DPB management, the Secretaries' Offices, and the Governor's Office. Once final decisions have been made, the budget reductions are implemented either administratively or proposed as part of the budget process.

Capital Budget Development

Capital budget development is primarily a biennial process that occurs in even-numbered years. Capital projects include, but are not limited to, the following:

- new construction projects with a total project cost exceeding \$250,000,
- improvements, renovations, repairs, replacement, maintenance, or combination projects for a single building with a total project cost exceeding \$500,000,
- umbrella projects (combined related projects), and
- blanket projects (capital improvements for existing facilities financed by nongeneral funds) with a total project cost exceeding \$500,000.

Capital projects fall into one of four categories—acquisition, new construction, improvements, or equipment. Projects funded in the capital budget may be stand-alone or may be grouped together. A project with multiple subprojects may fall into one of three types—maintenance reserve, umbrella projects, or blanket projects. The nature of the projects and the source of funds determine the project type.

The Appropriation Act limits consideration of capital requests in odd-numbered years to:

- supplementing projects that have been bid and determined to have insufficient funding to be placed under contract, and
- projects declared by the Governor or the General Assembly to be of an emergency nature, which may avoid an increase in cost or otherwise result in a measurable benefit to the state, and/or which are required for the continued use of existing facilities.

Biennial capital budget development begins with the issuance of DPB instructions in early spring of odd-numbered years (usually March) for the preparation of six-year capital proposals. The capital budget submission sets forth the agency's capital project needs for the next six years. The submission ranks the projects in priority order and justifies the need for them in terms of the agency's strategic and master plans as well as its current and projected customers, programs, and services. Agencies (with physical facilities) submit these summaries of the projects in their six-year plans to DPB in a Microsoft Access database (DPB Form H-1). DPB Form H-1 is used to summarize the size, scope, budget, and funding needs for projects being requested, including facility operating and maintenance costs. Facility operating and maintenance costs include employee compensation, utilities, rental charges, supplies, and materials. They also include the costs (both staff and equipment) for new programs and activities that will be housed in the space. For projects that are funded, the facility operating and maintenance cost information is entered (manually) in the six-year financial plan.

Based on these submissions and the current six-year capital outlay plan, DPB and the Governor's Cabinet Secretaries review the programmatic need for these requested projects to determine which are the most critical. Agencies are asked to prepare more detailed narrative, conceptual, and technical information on the projects determined to be most critical. The detailed submissions consist of the combined Project Cost and Scope Profiles (Forms C-1 and S-1), the Project Request Justification (DPB Form CNJ), the Project Energy Profile (DPB Form E-1), and the Project Technology Profile (DPB Form T-1). These forms are Microsoft Word documents and Microsoft Excel spreadsheets.

DPB budget analysts are responsible for reviewing the requests and recommending approval or disapproval. Analyst recommendations are reviewed by DPB management, the Secretary of Finance's Office, and the Governor's Office. In addition, the Department of General Services reviews selected project profiles as identified by DPB to determine an appropriate "design-to" construction budget, "design-to" gross area, and design budget for the project.

A maintenance reserve project is a major repair or replacement to plant, property, or equipment that is intended to extend its useful life. In order to maintain current and accurate information regarding the need for maintenance reserve funding, agencies must update their maintenance reserve plans each summer or fall. The information regarding agencies' total maintenance reserve funding needs, along with information regarding historical funding and identified deferred maintenance requirements, is used during budget development to determine the allocation of new maintenance reserve funding.

For purposes of the State's budgeting process, certain lease agreements are defined as "capital outlay leases" that must be requested and budgeted as capital outlay projects. A "capital outlay lease" includes:

- any lease agreement involving the acquisition or improvement of real property, as that term is defined in the Commonwealth Accounting Policy and Procedures Manual,
- the purchase of equipment by means of a capital lease agreement if the equipment would meet the capital project definitions if it were purchased outright, and
- any acquisition or improvement of real property financed by a lease agreement in which the project cost is equal to or exceeds \$5.0 million.

Any agency or institution of higher education proposing to acquire property through a "capital outlay lease" must submit a capital outlay budget request for the property just as if the agency were proposing to purchase the property outright. DPB budget analysts are responsible for reviewing the requests and recommending approval or

disapproval. Analyst recommendations are reviewed by DPB management, the Secretary of Finance's Office, and the Governor's Office.

The Governor is required to submit a six-year capital improvement plan to the General Assembly by November 1 of each odd-numbered year. The plan must include all capital outlay projects that the Governor deems necessary for the six fiscal years immediately following the current fiscal year. Any capital outlay project that requires additional funds in excess of the latest estimate submitted to the General Assembly must be included in the six-year plan with an updated estimate of the total costs. The six-year capital outlay plan is composed of three parts. The first part highlights the six-year capital plan and its purpose and examines the continuing and emerging infrastructure needs of the Commonwealth. The second part provides the latest performance indicators on how well state agencies are performing at completing their capital projects on schedule and within budget. Finally, the third part identifies the individual capital projects included in the six-year capital outlay plan.

The capital outlay plan is developed from the agencies' six-year capital budget requests and largely defers to capital priorities established by the agencies. Based on the Governor's policy goals and the availability of funds, the highest priority projects are included in the Governor's introduced budget. The remaining projects may be adjusted or deferred to a future biennium. The inclusion of a project in the six-year plan is not a guarantee that it will be funded. Given the changing nature of the economic climate over the six-year horizon, projects and priorities are subject to change. Furthermore, agency needs and priorities may change. Therefore, there is the potential for significant revisions to occur over time. The six-year capital outlay plan is prepared as a Microsoft Word document and posted on DPB's website.

Agency Spending Plans

Agency spending plans represent agency-level expenditure plans for their legislative appropriations. The proper management of agency spending plans enables accurate real-time tracking of expenditures and aids in the linkage of agency objectives to Commonwealth initiatives. State agencies differ in the timeframes in which they begin their spending plan development. Some agencies have a parallel budget/spending plan development process in the summer/fall, while some agencies begin development of their spending plans after the Governor's budget has been introduced in December or after the General Assembly has enacted the budget in the spring. If agencies have a parallel budget/spending plan development process in the summer/fall, then they roll up their more detailed agency budgets to comply with DPB's submission requirements. (Agency spending plans are often developed at a greater level of detail than that which is included in the Governor's introduced budget.) Some agency spending plans may require approval by the agency approval body (i.e., Commonwealth Transportation Board) prior to the start of the new fiscal year on July 1. Approved spending plans are then posted to the Commonwealth's accounting system.

Publishing

There are usually three separate budget bills developed for each biennium: the initial biennial budget bill (often referred to as the "big bill"), the amended budget bill, and the "caboose bill," which includes amendments to the amended appropriation act and is developed and enacted in the second year of the biennium. The budget bills are developed by DPB in partnership with the Division of Legislative Automated Systems (DLAS). DLAS is responsible for producing the budget bill.

The budget document, which describes the Governor's proposed budget changes, is produced each year by DPB in combination with the budget bill. The document is divided into three sections:

- the first section, which is the Governor's presentation, includes highlights of the proposed budget changes, an economic forecast outlining the status of Virginia's economy, and a revenue forecast reviewing the Commonwealth's fiscal outlook including the projected revenues on which the budget changes are based,
- the second section includes all of the proposed budget changes as well as summary agency strategic plan information, and
- the third section includes other reports and supplemental information.

2.1.3 Future State Environment

Exhibit 2.3 – FM08 Performance Budgeting - Future State Environment

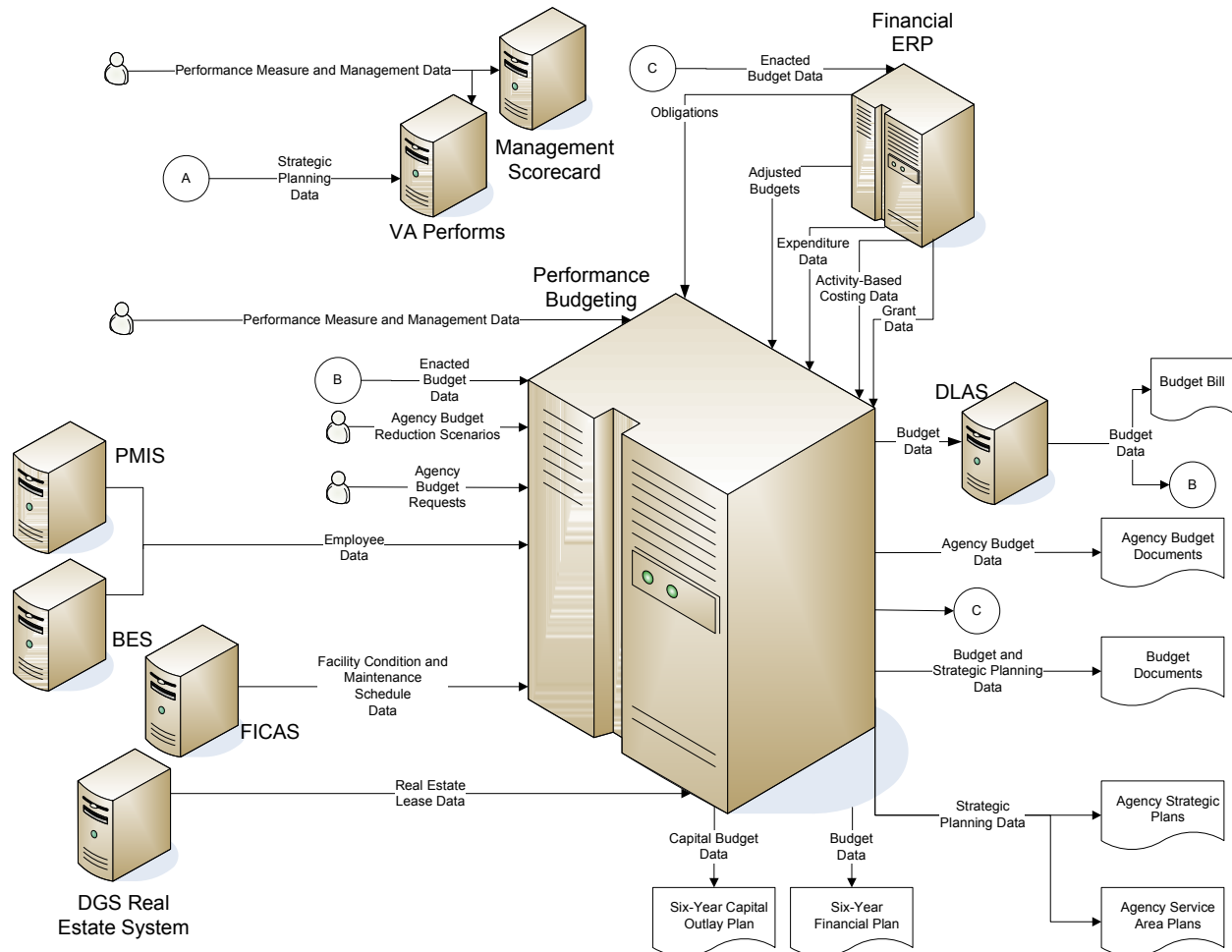


Exhibit 2.3 illustrates the performance budgeting future state environment. Performance budgeting in the Commonwealth includes a series of events and processes that assist executive management in selecting and focusing on strategies, promoting teams to solve cross-functional societal problems, allocating resources, and planning for the future. Budgeting is just one part of a larger process that focuses on policy analysis and financial resources planning. The new ERP system will integrate:

- communication of executive direction,
- strategic and service area planning,
- performance assessment,
- operating and capital budget development,
- six-year financial and capital plans,
- continuous performance monitoring (performance measure results, scorecards, and dashboards), and
- program and activity reassessments.

Performance budgeting and strategic planning are dynamic processes. Constituent service delivery is often modified to reflect socio-economic conditions that change over time. Future systems will be designed to be flexible enough to accommodate the continuous dynamics of change and simultaneously remain integrated to support this large, complex environment.

The new ERP system will be designed to support on-going configuration. The VEAP performance budgeting project team has made the assumption that system change is inevitable, positive, and the foundation for continuous improvement. The new ERP system will be modified (reconfigured) as needed by users. In the future state, the system will be a resource, not a constraint. The VEAP performance budgeting project team recognizes that new problems will arise requiring major adaptations that are well beyond the future state now envisioned and described in the remainder of this document.

In future phases of the VEAP, it is anticipated that human resource and payroll data will be utilized for salary and benefit forecasting. In addition, data in the Facility Inventory and Condition Assessment System (FICAS) may be utilized for facility and maintenance planning.

2.1.4 Improvement Opportunities

The implementation of a new ERP system along with changes to existing strategic planning and budgeting processes will provide a number of benefits and improvements to performance budgeting in the Commonwealth of Virginia. In the future, strategic planning will be a process of developing long-term policy-oriented plans that link the present with a statewide vision of the future. Strategic planning will become the foundation for resource allocation decisions in the budgeting process. Budgeting will use analytical information on outcomes linked to resource use by program/activity and will shift resources to meet changing needs. Performance budgeting in the future will connect actual and targeted results to spending while establishing an environment to discuss, evaluate, and re-evaluate earlier decisions.

The budgeting process will move from disconnected functions to a connected chain of activities. The process will support variable time horizons and measurement functions to link the Commonwealth's strategic direction with the short-term resource allocations in the budget. In the future, budgeting will be distinguished by these key characteristics:

- communication -- disseminating executive policy initiatives and direction,
- competition -- requiring agencies or private entities to compete for scarce resources by proposing initiatives that will make significant contributions to society,
- realignment -- developing a process for agencies to adjust their base budgets to meet changing program needs and service demands,
- prioritization/effectiveness -- enhancing management's ability to rank and select programs for funding or to reduce or eliminate the lowest-performing programs and the lowest-priority services,
- efficiency -- reducing the costs per output or level of service for funded programs, and
- analysis -- providing tools to aid in the development of operating and capital budgets and spending plans.

In the future, performance budgeting will be enhanced through six key process and policy changes:

- extending the strategic planning horizon to three biennia,
- establishing strategic priorities,
- applying measurement and evaluation,
- initiating performance reviews,
- realigning base budgets, and
- linking budget, expenditures, and performance.

In the future, new technology and best practices will combine to generate substantial productivity improvements. Aided by new technology, performance assessment will set a foundation that can be used to set priorities and realign operating base budgets. Performance assessment provides the critical link between strategic planning, performance measures, expenditure reporting, budgeting, and the overall value of a program or activity. Elevating the importance of performance measures will help to drive the development of measures that better describe program outputs, costs, and contributions to desired outcomes.

Some of the additional operational efficiencies and benefits associated with the new ERP system include:

- elimination of redundant data entry and reconciliation,
- automated workflow capabilities,
- reduced risk associated with dated applications and the aging workforce most familiar with them,
- a flexible and extensive account classification structure,
- central and agency-required business processes,
- a web-based, intuitive user interface,
- integrated and powerful reporting capabilities including management reporting tools, decision analytics, and management performance dashboards, as well as a variety of standard reports, inquiries, and tools, and
- comprehensive security and internal controls.

2.2 Problem Statements

The problem/solution statements below identify the overall problems that are apparent for the current environment related to the *Financial Management – Performance Budgeting* business process.

FM08 - 1.1 - Problem Statements - Strategic Planning				
Problem	Effect	Impact	Solution	Benefit
1. The current budget system has limited capabilities for cross-functional budget proposals designed to address broader societal problems and issues.	<ul style="list-style-type: none"> • Funding decisions may not be consistently made to support comprehensive solutions to statewide problems • Initiatives are often not grouped to create a comprehensive cross-functional approach to solving a major problem or achieving a desirable outcome • Programs that contribute to statewide initiatives are not easily 	<ul style="list-style-type: none"> • DPB analysts may need to consolidate decision packages manually to link program enhancements to Executive initiatives • Agencies do not compete to include their approaches in the overall solution set; agencies' initiatives are usually restricted to their existing missions and activities • DPB analysis is often reactive to the actual 	<ul style="list-style-type: none"> • Executives establish a competitive environment for funding new initiatives • Governor establishes a priority list of desired strategic improvements with measurable outcomes and agencies propose programmatic efforts that will affect the outcomes • Decision packages will reference Executive initiatives and include proposed 	<ul style="list-style-type: none"> • Agencies focused on working towards integrated solutions to statewide problems • Competition ensures that only proposals with the greatest benefit/cost factors, quickness of impacts, and duration of benefits will be funded • Initiatives assessed by their combined contributions to outcomes and by individual agency

FM08 - 1.1 - Problem Statements - Strategic Planning				
Problem	Effect	Impact	Solution	Benefit
	compared and ranked to achieve the highest return on investments	budget submissions <ul style="list-style-type: none"> Once initiatives have been approved, DPB has limited capability to track actual performance and achievements. 	performance measure impacts <ul style="list-style-type: none"> DPB will consolidate decision packages by initiative and rank their contributions by outcome 	performance <ul style="list-style-type: none"> Decision packages included in a comprehensive "Managing for Results" program Initiatives and program enhancements tracked for a 2-5 year period; if the programs continue to show benefits, they can be included in future base budgets
2. The current budget and strategic planning processes have not integrated a formal review and assessment process to evaluate the performance of programs and the quality of performance measures. The Commonwealth has not yet developed a systematic process for comparing actual performance and spending to what was originally planned and targeted.	<ul style="list-style-type: none"> Without performance reviews, DPB is limited in its ability to evaluate the quality of performance measures and their relevance in measuring future outcomes Program budgets are not defended or justified using current performance measures Performance measures have a negligible impact on budgetary decisions 	<ul style="list-style-type: none"> Without a defined performance assessment process, performance measure data are collected but not formally reviewed to assess the capability of the measures to highlight actual performance or to predict operational problems and successes 	<ul style="list-style-type: none"> DPB will initiate a program of performance reviews focusing on: 1) the quality of the performance measures (their capability to describe and support activities); and 2) using the performance measures to analyze the effectiveness of the activities 	<ul style="list-style-type: none"> Performance reviews reveal which programs contributed to positive outcomes and which programs have had negligible impacts; managers then recommend program changes: expand and enhance programs that contribute positive results and eliminate or restructure programs that have limited impacts on customers and service delivery
3. Agencies are not challenged regarding how	<ul style="list-style-type: none"> Agencies focus efforts on developing and 	<ul style="list-style-type: none"> Programs continue to be funded and 	<ul style="list-style-type: none"> On a biennial basis, agencies will rank their 	<ul style="list-style-type: none"> Scarce resources directed to

FM08 - 1.1 - Problem Statements - Strategic Planning				
Problem	Effect	Impact	Solution	Benefit
they are going to realign their base resources to improve service delivery or to shift resources to competing programs.	justifying programs that conform to well-communicated goals but do not attempt to realign resources that are currently in their base budgets	expanded that may not provide the same value as programs that are deferred or underfunded; programs included within an agency's base budget may be protected while new initiatives may be delayed because of lack of funding.	programs based on their ability to meet overall organizational goals and objectives and on their benefit-cost ratios; new initiatives will be included in the ranking profile, permitting them to compete against existing and potentially long-term programs <ul style="list-style-type: none"> Agencies will annually review the rankings and assess program performance based on previous performance targets and actual service delivery 	strategic programs and initiatives endorsed by agency leadership <ul style="list-style-type: none"> Allocation of resources within the base budget continuously improved Agencies' attention focused on major priorities and coordinating their activities to resolve major issues
4. The strategic planning process only minimally aligns with the six-year planning horizon of the financial and capital plans and focuses on short-term and more immediate initiatives rather than long-term objectives and goals.	<ul style="list-style-type: none"> Future service demands and performance metrics are only marginally analyzed in the strategic plans Agency strategic and service area plans tend to emphasize biennial budget requests with strong resource justification documentation 	<ul style="list-style-type: none"> Impacts of medium to long-term demographic and socio-economic trends and conditions are only superficially analyzed, and consequently long-term resource allocation and service impacts are not defined or adequately addressed to accomplish strategic planning 	<ul style="list-style-type: none"> Strategic planning process will place additional emphasis on describing and planning for agency service delivery requirements for at least six years Plans will incorporate the impacts of changing demographic and socio-economic trends and conditions. 	<ul style="list-style-type: none"> Integrated strategic planning and operational and capital planning processes Longer-term issues addressed and indicators measuring change and performance utilized in the process of planning programs and strategies Strengthened capability to

FM08 - 1.1 - Problem Statements - Strategic Planning				
Problem	Effect	Impact	Solution	Benefit
		<ul style="list-style-type: none"> Longer-term service demands with associated capital and facility programming demands are not adequately described to justify future investment and strategic direction 	<ul style="list-style-type: none"> Six-year performance measurements will be integrated with the six-year financial and capital outlay plans DPB could use existing economic advisory boards to assist the Commonwealth in creating or reviewing statewide demographic and socio-economic data that can be shared and used by all agencies 	consider alternative approaches to service delivery, new capital projects, revenue initiatives, and possibly privatization efforts to meet changing service demands
5. There is little linkage between budgets and “Managing for Results,” creating a limited connection between the budget and strategic planning processes and the level of performance that is expected to be achieved.	<ul style="list-style-type: none"> Concern of many public sector managers is that their organization has little real control over the intended outcomes Managers fear that they will be held accountable for failure to achieve outcomes Often the public manager believes this accountability will result in punishment 	<ul style="list-style-type: none"> Lack of control and fear feeds the conundrum and fails to answer the question – should we invest more or less in failing programs? 	<ul style="list-style-type: none"> Commonwealth will establish a “Managing for Results” program that will include several incentives to reward managers, including compensation, opportunities to manage expanded activities, and recognition 	<ul style="list-style-type: none"> Improved program performance because managers who review their performance are more likely to change their approaches to achieving strategic objectives Management recognition that continuous improvement, and not the protection of legacy institutions, programs, and strategies, is the ultimate goal of program management and budgeting

FM08 - 1.1 - Problem Statements - Strategic Planning				
Problem	Effect	Impact	Solution	Benefit
				<ul style="list-style-type: none"> Organizational growth and comfort with the concept that measurability and accountability are critical to improving programs Improved managerial effectiveness because managers with assigned accountability and with a strategic perspective are more likely to be successful in terms of both their effectiveness and their careers Improved identification of investments in failing or underperforming programs

FM08 -1.2 - Problem Statements – Operating Budget Development				
Problem	Effect	Impact	Solution	Benefit
6. Data from various budget development stages (base budget, base budget adjustments, technical adjustments, decision packages) are entered into different systems (data applications)	<ul style="list-style-type: none"> DPB analysts have to use different data applications to review information when analyzing different budget development components 	<ul style="list-style-type: none"> Additional efforts are required to ensure data integrity due to multiple data applications being used Reporting capabilities are limited and difficult to execute due to multiple data applications 	<ul style="list-style-type: none"> Single database to store budget development information 	<ul style="list-style-type: none"> Seamless flow of data from development of the original agency base budgets through introduction of the Governor's budget

FM08 -1.2 - Problem Statements – Operating Budget Development				
Problem	Effect	Impact	Solution	Benefit
requiring re-entry of information from other systems and reconciliation between multiple applications.		<ul style="list-style-type: none"> Many management requests require the development of a new or modified spreadsheet or database and additional data verification to ensure that various reports and outputs are consistent 		
7. The current systems do not provide the automated capability to budget for positions or for DPB analysts to validate the budgeted costs related to employee compensation.	<ul style="list-style-type: none"> Potentially inconsistencies in agencies' compliance with requirements to fully account for all positions in their base budgets 	<ul style="list-style-type: none"> DPB does not have a reliable way to validate agencies' salary and benefit base budgets 	<ul style="list-style-type: none"> New ERP system will automatically calculate the full salary and benefit costs of positions based on average or actual salaries and employee benefits 	<ul style="list-style-type: none"> Improved accuracy of salary and benefit budgets Consistency between agencies in budgeting salaries and benefits Reduced manual calculations of salary and benefit budgets Automatically incorporated changes in fringe benefit rates and automatically allocated positions across multiple funding sources
8. Agencies must reenter base budget data at the beginning of every biennium.	<ul style="list-style-type: none"> Manual reentry of data every biennium requiring manual verification 	<ul style="list-style-type: none"> Process is time-consuming and may be prone to error 	<ul style="list-style-type: none"> New ERP system will retain prior-year data at the necessary level of detail and use the data as the starting 	<ul style="list-style-type: none"> Elimination of need to reenter and validate base budget data

FM08 -1.2 - Problem Statements – Operating Budget Development				
Problem	Effect	Impact	Solution	Benefit
			point for development of the next biennial budget	
9. There is an inadequate linkage between strategic planning, performance monitoring, and operating budget development.	<ul style="list-style-type: none"> Performance measure data is not being utilized to make resource allocation decisions 	<ul style="list-style-type: none"> Resources may not be allocated in the most effective and efficient manner 	<ul style="list-style-type: none"> New ERP system will provide the capability to link performance measure data with budget requests and actual expenditures 	<ul style="list-style-type: none"> Performance measure data utilized to make more effective and efficient resource allocation decisions
10. Duplications in six-year nongeneral fund revenue estimates are not adequately identified and tracked.	<ul style="list-style-type: none"> Revenue estimates need to be analyzed to ensure that they are balanced and that they have not been duplicated 	<ul style="list-style-type: none"> Manual process requiring extensive review of agencies' nongeneral fund revenue estimates, which is dependent on institutional knowledge 	<ul style="list-style-type: none"> New ERP system will require identification of interfund and interagency transfers of revenues 	<ul style="list-style-type: none"> Nongeneral fund revenue estimates balanced and duplications identified and tracked
11. The current process does not include a decision-making tool incorporating scenario building and prioritizing programs and decision packages across agencies.	<ul style="list-style-type: none"> Difficult during budget development to objectively evaluate requests across functional areas 	<ul style="list-style-type: none"> Budget development decision-making process may not effectively allocate resources across functional areas 	<ul style="list-style-type: none"> New ERP system will include the capability to prioritize initiatives within agencies and across agencies under different scenarios 	<ul style="list-style-type: none"> Resources allocated across agencies in a more structured and effective manner

FM08 -1.3 - Problem Statements – Six-Year Financial Plan				
Problem	Effect	Impact	Solution	Benefit
12. The first two years of the plan are manually entered into Microsoft Excel by major	<ul style="list-style-type: none"> Entering data manually is time-consuming and prone to error 	<ul style="list-style-type: none"> Data verification is required each year DPB analysts have to reenter data already 	<ul style="list-style-type: none"> Six-year financial plan will be produced in same system used to develop Governor's 	<ul style="list-style-type: none"> Repetitive data entry eliminated DPB analysts able to perform more analysis of the

FM08 -1.3 - Problem Statements – Six-Year Financial Plan				
Problem	Effect	Impact	Solution	Benefit
activity requiring manual reconciliation.		available in the budget system	budget submission	underlying data resulting in a more useful financial plan
13. Data generated from the Governor's proposed budget is manually adjusted to transfer various activities to other budget areas for report purposes.	<ul style="list-style-type: none"> Data verification across major functional areas increases time to create financial plan starting point 	<ul style="list-style-type: none"> Changes in major functional areas requires detailed analysis of the underlying structures to determine if individual activities should roll up to a different major functional area for reporting purposes 	<ul style="list-style-type: none"> New ERP system will allow DPB to develop and maintain alternative consolidation structures for reporting purposes 	<ul style="list-style-type: none"> Multiple consolidation structures can be maintained concurrently to allow "what if" analyses Starting point data drawn from same sources as Governor's introduced budget
14. Budget changes subsequent to the Governor's budget submission are not reflected in six-year financial plan.	<ul style="list-style-type: none"> Multiple financial plans need to be updated whenever changes are made subsequent to the Governor's budget submission 	<ul style="list-style-type: none"> Amounts shown in multiple reports do not always reconcile due to changes occurring manually in one system but not another 	<ul style="list-style-type: none"> New ERP system will allow for the development of six-year financial plans based on the same budget information used to develop the Governor's introduced budget 	<ul style="list-style-type: none"> Starting point financial plan figures always match the Governor's introduced budget figures

FM08 -1.4 - Problem Statements – Budget Reductions				
Problem	Effect	Impact	Solution	Benefit
15. There are no automated tools available to create a budget reduction base.	<ul style="list-style-type: none"> Base creation may be inconsistent between agencies 	<ul style="list-style-type: none"> Exempt items need to be re-identified each time reductions are required 	<ul style="list-style-type: none"> Associate budget lines with multiple categories, such as exempt versus non-exempt, as part of the budget development process 	<ul style="list-style-type: none"> Reports generated identifying budgets that are more flexible/available for reductions when reductions are required
16. There is no established	<ul style="list-style-type: none"> Agencies may need to quickly 	<ul style="list-style-type: none"> Prioritized scenarios are re-created from the 	<ul style="list-style-type: none"> As part of the standard budget process 	<ul style="list-style-type: none"> Consistent and well-defined

FM08 -1.4 - Problem Statements – Budget Reductions				
Problem	Effect	Impact	Solution	Benefit
standard process to quickly implement budget reductions during economic downturns.	<ul style="list-style-type: none"> develop prioritized reduction scenarios with little advance notice Agencies and DPB analysts may not have sufficient time to develop, review, and access reduction packages 	<ul style="list-style-type: none"> beginning each time they are required DPB analysts may not have the necessary information to review and modify reduction packages 	<ul style="list-style-type: none"> (regardless of whether reductions are required), agencies will rank/prioritize base budget activities and decision packages Use performance assessments for decision-making 	<ul style="list-style-type: none"> base from which to start developing reduction scenarios Agency priorities and assessments used by DPB analysts during reduction scenario development and review

FM08 -1.5 - Problem Statements – Capital Budget Development				
Problem	Effect	Impact	Solution	Benefit
17. Projects may be approved with inaccurate scope definitions and cost estimates. (Accurate cost estimates are usually not available until completion of the project's planning phase.)	<ul style="list-style-type: none"> Projects often need to be adjusted to reflect changes in cost; architectural and engineering estimates are not accurate until project requirements are fully defined 	<ul style="list-style-type: none"> Cost overruns/requests for additional funding for projects impacts the six-year capital outlay plan's capability to accurately forecast resources needed Difficult to hold agencies and staff accountable for meeting budgets General Assembly may question the capability of agencies to complete projects within approved budgets 	<ul style="list-style-type: none"> Restrict initial appropriation to the initial design phase of project only; after the initial phase, costs can be more accurately determined and projects can be reviewed for full funding Appropriations may need to be made every year to ensure timely completion of projects 	<ul style="list-style-type: none"> Reduced project cost overruns and improved management control of scope and project expansion due to improved project estimates Increased confidence in project estimates
18. Project plan information is entered multiple times. Project forms do not typically	<ul style="list-style-type: none"> Agencies need to submit multiple forms for project consideration that have the 	<ul style="list-style-type: none"> Time-consuming to manage different forms Contradictory information in 	<ul style="list-style-type: none"> New ERP system will have comprehensive project forms with summary 	<ul style="list-style-type: none"> Increased confidence in submissions Reduced time to enter and track

FM08 -1.5 - Problem Statements – Capital Budget Development				
Problem	Effect	Impact	Solution	Benefit
share information as forms are maintained on separate systems.	<p>potential to be contradictory (summary and detail)</p> <ul style="list-style-type: none"> Maintenance and tracking of project forms is problematic for submitters and reviewers 	the forms can be presented and approved	<p>and detail components.</p> <ul style="list-style-type: none"> There will be one centralized point of entry that links all common information for entry and review 	information
19. The current system does not have the capability to track budgetary changes over the life of projects. Prior funding and scope changes are not readily available to system users.	<ul style="list-style-type: none"> Agencies self-report prior funding, and scope changes from original projects are not obvious to reviewers Data is difficult to verify. 	<ul style="list-style-type: none"> Inaccurate information for decisions-makers Agencies sometimes have cost overruns without consequences 	<ul style="list-style-type: none"> Detail tabs will be completed as the project enters each phase All scope and funding changes will be tracked in the system 	<ul style="list-style-type: none"> More accurate project funding and cost information Agencies held accountable Improved planning due to more accurate information
20. A limited linkage exists between capital projects and their associated operating budget impacts.	<ul style="list-style-type: none"> Decision process does not always take into account the future operating costs Risk that adequate operating funds may not be appropriated to meet the needs of projects being completed 	<ul style="list-style-type: none"> Operating cost impacts of capital projects may not be thoroughly reviewed during the budget development process 	<ul style="list-style-type: none"> Require the entry of amounts to cover projected operating costs when requesting funds for a capital project and have this information feed into a decision package or the six-year financial plan, as appropriate 	<ul style="list-style-type: none"> Funds programmed to ensure adequate maintenance and use of facilities Total project costs reviewed and utilized in the decision-making process Projected facility operating costs integrated with six-year financial plans and operating budget development process
21. It is difficult to track and analyze the funding of Commonwealth	<ul style="list-style-type: none"> Positions may be financed from capital projects while simultaneously 	<ul style="list-style-type: none"> Allocation of personnel costs to capital projects may be inaccurate 	<ul style="list-style-type: none"> New ERP system will provide the capability to allocate funds by 	<ul style="list-style-type: none"> Improved accuracy regarding capital projects and

FM08 -1.5 - Problem Statements – Capital Budget Development				
Problem	Effect	Impact	Solution	Benefit
employees charging and allocating time to capital projects.	budgeted in the operating budget		position/employee or role directly to capital projects and operating budgets	operating budgets <ul style="list-style-type: none"> • Direct labor charges to capital budgets more easily managed by project managers
22. There is an inadequate allocation process for maintenance reserve funding.	<ul style="list-style-type: none"> • Agencies may not have sufficient funding to maintain their current infrastructure 	<ul style="list-style-type: none"> • Limited resources may not be most effectively allocated 	<ul style="list-style-type: none"> • Link maintenance information (FICAS) to capital plans and funding requests 	<ul style="list-style-type: none"> • More accurate estimates of needs and effectively targeted funding.
23. There is an inadequate capital outlay lease tracking and warning system to provide adequate time to evaluate potential alternatives to leasing.	<ul style="list-style-type: none"> • Leases are often executed prior to the consideration of alternatives 	<ul style="list-style-type: none"> • Potential missed opportunities for cost savings if alternatives are not identified and evaluated 	<ul style="list-style-type: none"> • Include all capital outlay leases as part of the six-year capital review process and integrate with DGS' Division of Real Estate Services database 	<ul style="list-style-type: none"> • Capital lease alternatives evaluated and reviewed, which can result in cost savings
24. Capital performance measure data is not systematically collected.	<ul style="list-style-type: none"> • Capturing capital performance measure data is a manual process 	<ul style="list-style-type: none"> • The process is time-consuming and may be prone to error 	<ul style="list-style-type: none"> • Automate the collection of capital performance measure data 	<ul style="list-style-type: none"> • Capital performance measure data more accurate and easily collected (statewide or by project)

FM08 -1.6 - Problem Statements – Agency Spending Plans				
Problem	Effect	Impact	Solution	Benefit
25. The current budget system does not support the development of more detailed agency spending plans.	<ul style="list-style-type: none"> • Agencies must rely on their own financial systems to develop their spending plans 	<ul style="list-style-type: none"> • Agencies must manually roll up more detailed data to DPB-required levels of detail for budget submissions 	<ul style="list-style-type: none"> • New ERP system will provide the capability for agencies to develop spending plans and to roll up more detailed spending plans to DPB- 	<ul style="list-style-type: none"> • One system for agencies to develop their budget requests and their more detailed spending plans • More detailed spending plans automatically

FM08 -1.6 - Problem Statements – Agency Spending Plans				
Problem	Effect	Impact	Solution	Benefit
			required levels of detail for budget submissions	rolled up to DPB-required levels of detail for budget submissions

FM08 -1.7 - Problem Statements – Publishing				
Problem	Effect	Impact	Solution	Benefit
26. DPB cannot produce its own budget bill independent of DLAS.	<ul style="list-style-type: none"> DPB must rely on a legislative agency to produce the budget bill 	<ul style="list-style-type: none"> Process requires coordination with the legislative branch in order to produce the budget bill 	<ul style="list-style-type: none"> Use automated document publishing tool to access budget bill information and produce proof copies 	<ul style="list-style-type: none"> DPB-produced budget bill
27. Current published documents cannot incorporate multiple sources of data such as Microsoft Word documents, jpeg image files, PDF documents, and organization charts without significant manual work.	<ul style="list-style-type: none"> Information may be excluded that could be useful to users of the budget document 	<ul style="list-style-type: none"> Users of the document may not be presented useful information 	<ul style="list-style-type: none"> Use automated document publishing tool to automatically pull data from ERP databases as well as Microsoft Word documents, jpeg image files, PDF documents, organization charts, and other data sources 	<ul style="list-style-type: none"> Increased flexibility in design and production of the budget document
28. There is currently a lack of an indexing functionality.	<ul style="list-style-type: none"> Readers may have difficulty navigating document contents 	<ul style="list-style-type: none"> Budget document is not as user-friendly as it could be 	<ul style="list-style-type: none"> ERP tool will be able to create one or many indexes 	<ul style="list-style-type: none"> Indexes allow users to more easily find pertinent information

3. Stakeholder and User Descriptions

To effectively provide products and services that meet the needs of stakeholders and users, it is necessary to identify and involve all of the stakeholders as part of the ‘future state environment’ for the *Financial Management – Performance Budgeting* business process. This section provides a profile of the stakeholders and users involved in the project and the key problems that they perceive will be addressed by the ERP solution.

3.1 Stakeholder and User Definition

A stakeholder is a party who affects, or can be affected by, the Commonwealth's actions in relation to the business process within the Financial Management and Performance Budgeting Processes. The stakeholder concept was

developed and championed by R. Edward Freeman in the 1980s. It has gained wide acceptance in business practice and in theorizing relating to strategic management, governance, and business purpose.

Users are widely characterized as the class of people that uses a system without complete technical expertise. However, users have understanding and knowledge of the business process in which the system is used to accomplish the execution of the business process.

3.2 User Summary

This section provides a list of the users involved in the project. This information is used in the following section which describes the user profiles:

- Agency strategic planning staff,
- Agency budget staff,
- The Governor's Office,
- Cabinet Secretaries,
- Department of Planning and Budget (DPB),
- Department of Accounts (DOA),
- Department of Human Resource Management (DHRM),
- Department of General Services (DGS),
- Auditor of Public Accounts (APA),
- Other legislative staff, and
- Other interested parties.

3.3 User Profiles

Each unique user of the system is described in this section. User types can be as divergent as experts and novices. For example, an expert might need a sophisticated, flexible tool with cross-platform support, while a novice might need a tool that is intuitive based upon prescribed standards. No attempt is made in this section to distinguish between the different users' requirements.

3.3.1 Agency Strategic Planning Staff

User Type Name	Agency strategic planning staff
Representative	Staff responsible for managing strategic planning activities.
Description	Agency strategic planning staff who are responsible for developing agency strategic and service area plans.
Type	Agency strategic planning staff are users of the system.
Responsibilities	<ul style="list-style-type: none"> • Support agency strategic planning activities • Provide assistance to agency personnel • Develop agency strategic and service area plans
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Data has to be entered only one time • The system includes automated and comprehensive reporting capability for strategic and service area plans and performance measures • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes • Participate in user acceptance testing

3.3.2 Agency Budget Staff

User Type Name	Agency budget staff
Representative	Agency employees who are specifically involved in budget development.
Description	Agency employees who are responsible for developing agency base budgets, technical adjustments, and new or expanded initiatives.
Type	Agency budget staff are users of the system.
Responsibilities	<ul style="list-style-type: none"> • Support agency budget development activities • Provide assistance to agency personnel • Develop agency budget submissions
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Data has to be entered only one time • The system includes automated and comprehensive reporting capability for budget development data • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes • Participate in user acceptance testing

3.3.3 The Governor's Office

User Type Name	The Governor's Office
Representative	The Governor's Office represents statewide interests/perspectives.
Description	The Governor's Office includes the Governor and policy and press office staff.
Type	The Governor's Office is a user of the system.
Responsibilities	<ul style="list-style-type: none"> • Provide leadership re: agency strategic planning and budget development activities
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • The system includes automated and comprehensive reporting capability for strategic and service area plans and budget development data • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes

3.3.4 Cabinet Secretaries

User Type Name	Cabinet Secretaries
Representative	Cabinet Secretaries (and their staffs) represent the various agencies within their secretariats.
Description	Cabinet Secretaries include the Secretary and Deputy and Assistance Secretaries.
Type	Cabinet Secretaries are users of the system.
Responsibilities	<ul style="list-style-type: none"> • Provide leadership re: agency strategic planning and budget development activities
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • The system includes automated and comprehensive reporting capability for strategic and service area plans and budget development data • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes

3.3.5 Department of Planning and Budget (DPB)

User Type Name	Department of Planning and Budget (DPB)
Representative	DPB budget staff.
Description	DPB staff involved in strategic planning and budget development.
Type	DPB administers the system.
Responsibilities	<ul style="list-style-type: none"> • Provide strategic planning and budget leadership for state agencies • Develop and administer policies to manage strategic planning and budget development • Work with the Governor's Office, the Cabinet, the General Assembly, and state agencies to develop and manage the Commonwealth's strategic planning and budget development processes
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Streamlined strategic planning and budget development policies and processes are easy to implement and manage • Strategic and service area plans are linked to performance targets and results and are tied directly to budget and financial data • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes • Participate in user acceptance testing

3.3.6 Department of Accounts (DOA)

User Type Name	Department of Accounts (DOA)
Representative	DOA employees.
Description	The staff of the central financial accounting agency for the Commonwealth.
Type	DOA is a user of the system.
Responsibilities	<ul style="list-style-type: none"> • Provide a uniform system of accounting, financial reporting, and internal control
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Accounts added during the strategic planning and budget development processes receive the proper approval and require only one manual entry in an integrated system • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes • Participate in user acceptance testing

3.3.7 Department of Human Resource Management (DHRM)

User Type Name	Department of Human Resource Management (DHRM)
Representative	DHRM employees, specifically those involved in providing position (salary and benefits) information.
Description	The staff of the central human resource agency for the Commonwealth.
Type	DHRM is a provider of key information regarding state positions (salaries and benefits).
Responsibilities	<ul style="list-style-type: none"> • Provide human resource management leadership for the Commonwealth and its workforce • Provide assistance to DPB during budget development regarding position-related issues and data requirements
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Streamlined position budgeting policies and processes are easy to implement and manage • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes • Participate in user acceptance testing

3.3.8 Department of General Services (DGS)

User Type Name	Department of General Services (DGS)
Representative	DGS employees, specifically those involved in providing capital budget-related information.
Description	The staff of the central capital agency for the Commonwealth.
Type	DGS is a provider of key information regarding state building engineering, architecture, and maintenance as well as state leases.
Responsibilities	<ul style="list-style-type: none"> • Provide building engineering, architecture, and maintenance leadership for state agencies • Provide assistance to DPB during budget development regarding capital budget-related issues
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • Streamlined capital budgeting policies and processes are easy to implement and manage • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes • Participate in user acceptance testing

3.3.9 Auditor of Public Accounts (APA)

User Type Name	Auditor of Public Accounts (APA)
Representative	Employees from the APA.
Description	The Auditor of Public Accounts is the independent auditor for the Commonwealth of Virginia.
Type	The Auditor of Public Accounts is an occasional user of the system.
Responsibilities	<ul style="list-style-type: none"> • Conduct audits of state agencies as well as offices of local government • Develop and issue Audit and Special Reports, Comparative Cost Reports, and Quarterly Reports
Success Criteria	<ul style="list-style-type: none"> • The system is usable by trained staff • The system provides data for audits
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes • Participate in user acceptance testing • Independent review

3.3.10 Other Legislative Staff

User Type Name	House Appropriations Committee (HAC), Senate Finance Committee (SFC), and Division of Legislative Automated Systems (DLAS)
Representative	HAC, SFC, and DLAS employees responsible for budget bills and appropriation acts.
Description	Employees with working knowledge and responsibility regarding development of the appropriation acts as well as the interface between the General Assembly and the Governor during the budget development and appropriations processes.
Type	Manage the legislative appropriations process as well as the interface between the Governor's introduced budget bills and the appropriation acts.
Responsibilities	<ul style="list-style-type: none"> • Support the interface between the Governor's introduced budget bills and the legislative appropriations process
Success Criteria	<ul style="list-style-type: none"> • The system is useable by trained staff • The Governor's introduced budget bills migrate seamlessly from the ERP solution to the legislative system, and General Assembly-passed appropriations migrate seamlessly from the legislative system to the Commonwealth's accounting system • Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> • Provide knowledge as needed in relation to business processes • Streamline agency-specific performance budgeting policies, procedures, and business processes

3.3.11 Other Interested Parties

User Type Name	Other interested parties
Representative	Boards, citizens, customers, localities, nonstate agencies, Council on Virginia's Future, etc. (there are various representatives of these groups).
Description	These interested parties could be individuals or groups and state or nonstate entities.
Type	These individuals/groups have various roles/responsibilities/interests with respect to strategic and service area planning and budget development.
Responsibilities	<ul style="list-style-type: none"> These groups have various responsibilities with respect to strategic and service area planning and budget development
Success Criteria	<ul style="list-style-type: none"> The system is useable by trained staff The system includes automated and comprehensive reporting capability for strategic and service area plans, performance measures, and budget data Ability to retire legacy financial management systems
Involvement	<ul style="list-style-type: none"> Provide knowledge as needed in relation to business processes Streamline agency-specific performance budgeting policies, procedures, and business processes Participate in user acceptance testing

3.4 Stakeholder Summary

This section provides a list of the stakeholders involved in the project and key business areas they represent as well as defines their roles and responsibilities. These stakeholders feed into the following section where the stakeholder profiles are described.

- Legislature,
- Project Steering Committee, and
- VEAP In-Scope Agencies.

3.5 Stakeholder Profiles

3.5.1 Legislature

Stakeholder Type Name	Legislature
Representative	Legislator.
Description	The Legislature represents the overall policies and costs of the Commonwealth for Performance Budgeting.
Type	The Legislator is interested in the business aspect of new services that may be offered and the efficiencies that can be gained from the new system.
Responsibilities	<ul style="list-style-type: none"> Report and respond to citizen inquiry related to FM activities
Success Criteria	<ul style="list-style-type: none"> Simplifies the overall user experience related to the FM process Reduces FM costs
Involvement	<ul style="list-style-type: none"> Reviews information regarding progress of the requirements and COTS selection process

3.5.2 Project Steering Committee

Stakeholder Type Name	Project Steering Committee
Representative	Project Steering Committee members.
Description	The Project Steering Committee oversees project execution of VEAP.
Type	The Project Steering Committee is interested in the business aspect of new services that may be offered and the efficiencies that can be gained from the new system.
Responsibilities	<ul style="list-style-type: none"> • Provide oversight of project execution • Ensure the requirements and overall results of the initiative will lead to achieving the benefits and expected results
Success Criteria	<ul style="list-style-type: none"> • SOW is on time and within budget • Commonwealth is satisfied with progress of SOW • SOW deliverables are approved by Commonwealth
Involvement	<ul style="list-style-type: none"> • Reviews information regarding progress of the requirements and COTS selection process

3.5.3 VEAP In-Scope Agencies

Stakeholder Type Name	VEAP in-scope agencies
Representative	VEAP in-scope agencies' employees.
Description	The VEAP in-scope agencies are the 134 agencies included in Due Diligence; these agencies represent the current financial management systems and processes.
Type	The VEAP in-scope agencies will be interested in the business aspect of new services that may be offered and the efficiencies that can be gained in the process.
Responsibilities	<ul style="list-style-type: none"> • Execute FM processes • Users of FM systems
Success Criteria	<ul style="list-style-type: none"> • Modern, integrated financial system • Streamlined and efficient financial management business processes
Involvement	<ul style="list-style-type: none"> • Reviews information regarding progress of the requirements and COTS selection process

4. Key Product Requirements

While the detailed business and system requirements for the *Financial Management – Performance Budgeting* business process are contained within Appendix A, this section emphasizes several high level performance budgeting requirements.

Support Budget Continuum: The performance budgeting system will provide an integrated approach of strategic planning, budget development, performance tracking, expense reporting, and performance assessment. Data will be linked across all of the modules supporting a user's ability to prepare and evaluate alternatives, track recommendations, and record decisions.

Flexibility and Change: The budget process is constantly changing. Decision-making processes are often modified to reflect changing initiatives, refined management techniques and evolving political processes. The budget system needs to be capable of supporting organizational change including reorganizations and shifting priorities and program directives.

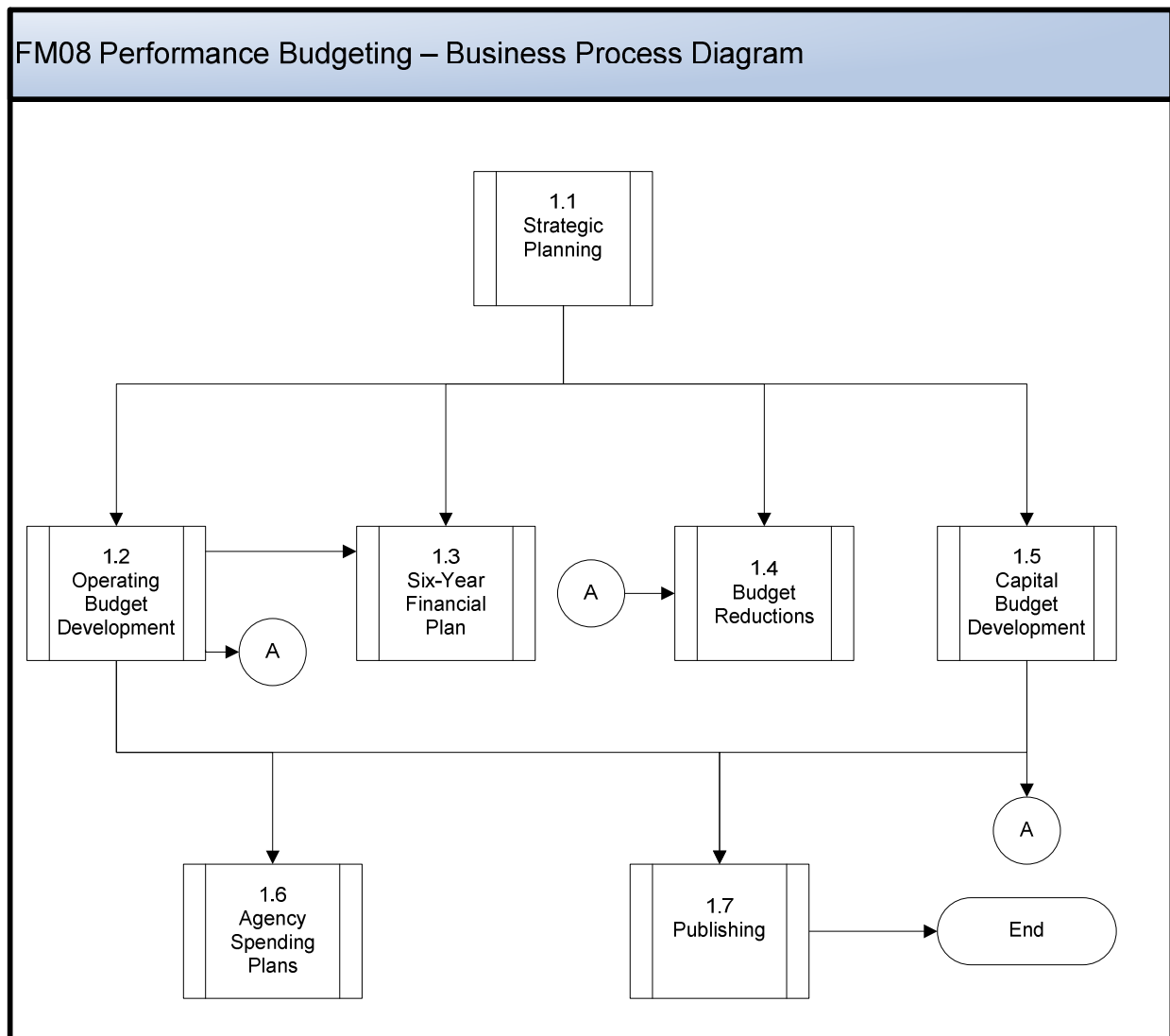
Data Analysis: The system will provide advanced modeling tools to support budget and expenditure projections. The system will support business intelligence activities including modeling and simulation, multi-dimensional data query, data consolidation, collaboration, consistency, and executive reporting. The system will support ad-hoc inquiries and independent analyses required by agency and DPB budget analysts.

5. Process Thread Summary

This section lists the process threads related to the *Financial Management – Performance Budgeting* business process. It provides a general description of the business process and lists governing regulations and policy or procedures related to the *Financial Management – Performance Budgeting* business process.

Performance budgeting in the Commonwealth of Virginia combines a series of activities that together create an environment for long, intermediate, and short-term financial and program planning. Performance budgeting utilizes an integrated approach of strategic planning, budget development, performance tracking, expense reporting, and performance assessment to forecast the changing program management requirements of the Commonwealth. Performance budgeting combines the following business processes to establish a financial and operational vision of Commonwealth resources, expenditure requirements, program initiatives, and performance.

Exhibit 5.1 – FM08 Performance Budgeting – Business Process Flow



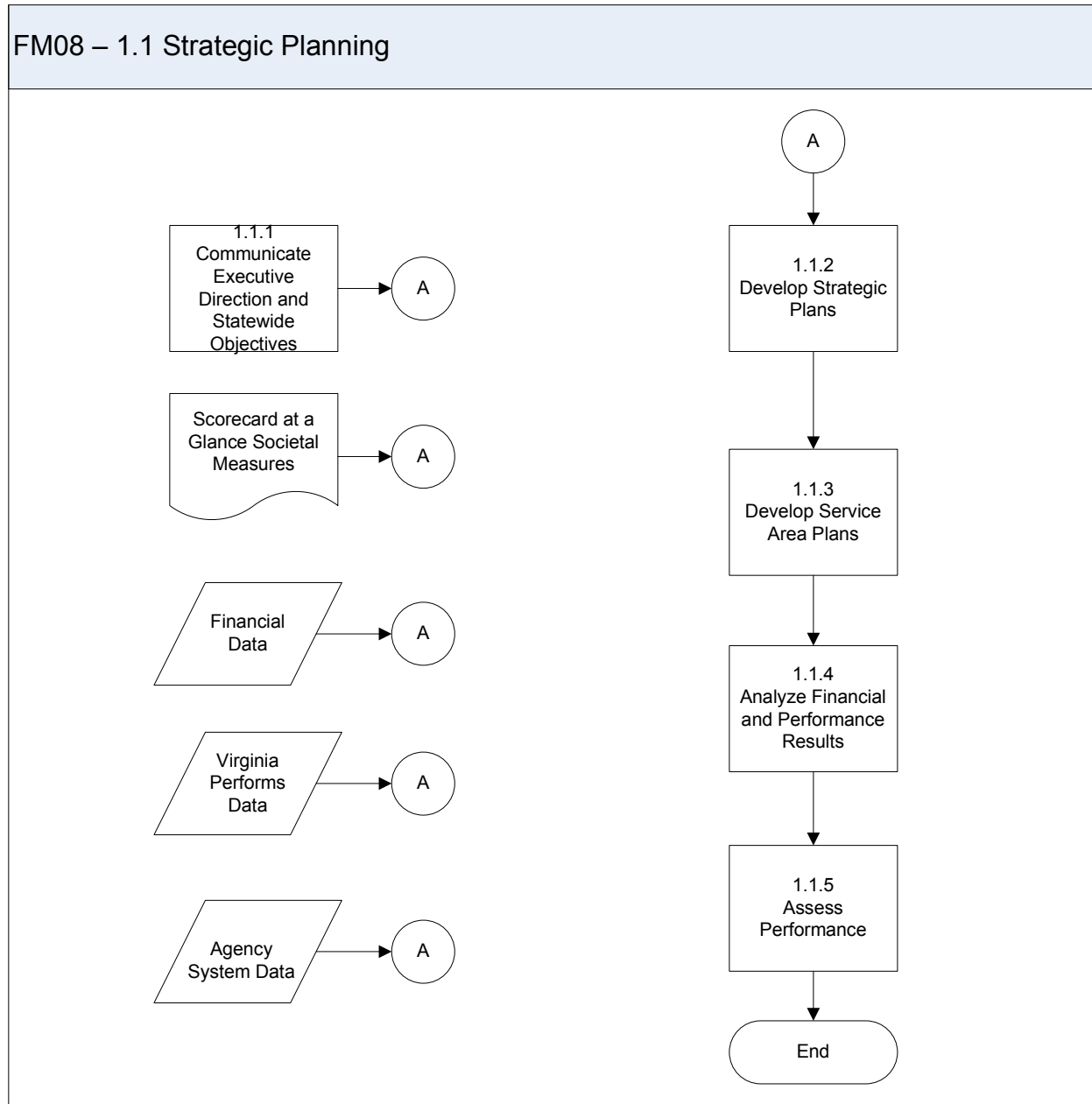
Number	Business Thread Name	Description of Business Process Thread	Governing Regulations/Policy
FM08-1.1	Strategic Planning	Strategic planning includes the development of agency strategic and service area plans. Strategic planning also includes the development of performance measures, scorecards, and targets as well as the monitoring and assessment of results.	Title 2.2, Chapter 55.1 (Government Performance and Results Act), Code of Virginia. Title 2.2, Chapter 15 (Department of Planning and Budget), Code of Virginia.
FM08-1.2	Operating Budget Development	Operating budget development includes performance assessment, base budget development and realignments, technical adjustments, and new initiatives (including base budget restorations).	Title 2.2, Chapter 55.1 (Government Performance and Results Act), Code of Virginia. Title 2.2, Chapter 15 (Department of Planning and Budget), Code of Virginia.
FM08-1.3	Six-Year Financial Plan	The six-year financial plan, which is submitted to the General Assembly at the beginning of each regular legislative session held in an even-numbered year, includes the projected revenues and recommended appropriations for the next two fiscal years that are included in the Governor's introduced budget as well as estimates of anticipated revenues and spending over an additional four-year period.	Title 2.2, Chapter 15 (Department of Planning and Budget), Code of Virginia.
FM08-1.4	Budget Reductions	Budget reductions includes the process used to implement budget reductions (either administratively or through the budget process) when there are revenue shortfalls.	Article X, Section 7 of the Virginia Constitution. Chapter 847, the 2007 Appropriation Act.
FM08-1.5	Capital Budget Development	Capital budget development includes development of the six-year capital outlay plan, mid-biennium budget amendments, and the maintenance reserve process.	Title 2.2, Chapter 15 (Department of Planning and Budget), Code of Virginia. Chapter 847, the 2007 Appropriation Act.
FM08-1.6	Agency Spending Plans	Agency spending plans include the development of more detailed operational budgets.	Not applicable.
FM08-1.7	Publishing	Publishing includes production of both the budget bill and the budget document.	Title 2.2, Chapter 15 (Department of Planning and Budget), Code of Virginia.

6. Process Thread Detail Description

This section describes each process thread above with a more detailed description.

6.1 Strategic Planning

Exhibit 6.1 – FM08 Performance Budgeting – Strategic Planning



FM08-1.1 – Process Thread Description – Strategic Planning	
Process Description:	<p>Strategic planning is one component of the integrated budgeting evaluation practices in the Commonwealth of Virginia. Strategic planning with the supporting processes of performance budgeting, performance monitoring and assessment creates a comprehensive environment for leading government. Each component provides improvements to the overall operation of public agencies. However, it is with integration and continuous feedback and support between the components that the entire process can be elevated.</p> <p>Strategic planning is the process of developing long-term, policy-oriented plans that link the present with a vision of the future. Strategic plans describe the agencies' missions, visions, goals, objectives, and strategies in order to provide direction and focus to their operations. In a comprehensive program the strategic planning process is expanded to include an assessment of agencies' performance and accomplishments using a multi-year forward and backward perspective. Strategic planning is designed to examine the capabilities of agencies in the current and future environment. By developing strategic plans, agencies can identify policies and other issues that they will face over the course of the next six to ten years.</p> <p>Strategic planning is the foundation of performance budgeting. Once a strategic plan is in place, agencies can develop budgets that are designed to meet their objectives. Performance budgeting provides information to evaluate budgets according to specific policies, changing needs, and targeted outcomes. It is intended to connect actual and targeted results to spending while establishing an environment to discuss, evaluate, and re-evaluate earlier decisions.</p> <p>The ultimate goal of strategic planning and performance budgeting is to focus on the quality of the services being provided. It is intended to assist public agencies to allocate and use funds to meet changing needs, improve service delivery, and identify shifting priorities.</p> <p>In the Commonwealth of Virginia, strategic planning and management scorecards combined with performance budgeting creates an environment for:</p> <ul style="list-style-type: none"> • communicating priorities and accomplishments, • establishing statewide initiatives and directives in key policy areas, • justifying funding to address critical issues facing the state, • emphasizing results and performance, • linking the budgetary process with long-term needs, • improving accountability, • coordinating the policy concerns of public officials with implementation efforts through interagency and public/private efforts, and • creating an environment for continuous improvement. <p>Strategic planning has distinctive elements at each level of state government. Agencies prepare strategic plans highlighting their future reinforced with statements of mission, vision, and executive progress. Similar in style, agencies prepare service area plans, focusing attention on more specific challenges and needs. Service area plans link operational issues and resource requirements with objectives and actual performance. Service area plans align agencies' programs with goals, priorities, and performance measures.</p> <p>The future state of strategic planning in the Commonwealth is best categorized as a change</p>

FM08-1.1 – Process Thread Description – Strategic Planning	
	<p>in focus and emphasis. Currently, the Commonwealth has integrated strategic planning into its traditional budgeting environment. Strategic planning currently incorporates missions, visions, goals, objectives, and performance measurement. In the future state these same processes will be used to promote improvements in program delivery and the allocation of resources. Process emphasis will shift by:</p> <p>Extending the Strategic Planning Horizon to Three Biennia Policy debate and resource allocation is best managed by senior stakeholders with knowledge of the key initiatives and intended direction. Strategic direction requires more than one biennium, and consequently, efforts will be based on either four- or six-year environments. In this timeframe new initiatives can be planned and programmed and early phases actually evaluated for their ability to contribute to desired outcomes. Vision statements will emphasize what the organization would like to become and how it will be viewed. Goals and objectives will be developed where various strategic options can be identified and evaluated. The strategic planning process will become a vehicle for discussing alternatives, articulating risk factors, and identifying a path for the future.</p> <p>Identifying and Enhancing Baseline Core Business Processes and Supporting Systems The strategic planning process will document and evaluate the “as-is” work flow and performance of current business processes. The current base budget planning approach directs all of its efforts to incremental adjustments with too little emphasis on improving the performance of existing activities. The strategic planning processes will direct additional attention to the customers and “impacted constituency” to identify changing requirements, needs, and opportunities for improvement. Agencies will, for selective programs, identify the costs associated with supporting the current work processes. Performance goals, targets, and actual performance (expenditures, outputs, and outcomes) will be tracked over time for future program assessment and on-going monitoring.</p> <p>Identifying Breakthrough Opportunities and Redesigning Processes Organizations improve by creating a culture of innovation. Measuring and analyzing the “as is” processes helps to understand and to articulate the need for a different way of doing business. By isolating problems, organizations can consistently develop “what if” scenarios for new ways to deploy and enhance business processes. Breakthrough opportunities come from process redesign – refocusing on process vision; redesigning core procedures; and questioning the utility and design of supporting systems.</p> <p>Applying Measurement and Evaluation Performance measures need to be constantly re-evaluated to ensure that they provide the necessary information to develop a snapshot of performance. State agencies will compare actual performance to planned performance and will use that information in subsequent planning cycles to assess future program needs more accurately in order to improve future outcomes. This step will yield information about which strategies proved effective and which strategies are struggling. When managers change their approaches to achieving strategic objectives based on this information, program performance should improve.</p> <p>Establishing Strategic Priorities Strategic priority setting is the process of ranking each strategic objective in terms of its relative importance to the organization. Setting strategic priorities is a management responsibility. Frequently, a group of managers participates in the ranking process. Ranking the strategic objectives as part of the strategic planning cycle is valuable because these priorities will guide later budget decisions. Existing programs and new initiatives</p>

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	<p>can be ranked together, and those programs providing the lowest cost-benefit ratios can be reduced or eliminated or at least identified for additional program evaluation/review and re-engineering.</p> <p>Initiating Performance Reviews On an annual basis, agencies will conduct performance reviews on components of their operations. These "performance reviews" will use agency performance measures as a focal point for discussions. DPB analysts will work with the agencies, assisting agency staff in developing and reviewing performance measures and strategic alternatives. By conducting these reviews outside of the traditional budget development process, agency and DPB analysts will be in a better position to consider performance issues when setting budget and policy priorities. The reviews could also provide a forum for DPB analysts and agencies to discuss program goals and objectives and perhaps arrive at an agreement on reasonable performance expectations. Just as importantly, performance reviews provide a vehicle for testing the adequacy and accuracy of agency performance measures.</p> <p>Managing for Results Many managers fear the potential relationship between performance measurement and employee accountability. Managers interpret accountability as being synonymous with "punishment." Commonwealth organizations will, over time, become more comfortable with the idea that measurability and accountability are used to improve programs by encouraging innovation and decision-making. By establishing an on-going culture of performance reviews, managers understand better how their influence impacts outcomes even though they may not ultimately control the service providers or the customers. Managers have the ability to set measurable strategic objectives and targets that when evaluated are a reasonable proxy of their ability to perform and to deliver results.</p> <p>Linking Budget, Expenditures, and Performance New initiatives are often designed and implemented by agencies across the Commonwealth. Currently, for all practical purposes, the Commonwealth has no effective method of linking actual performance measures with expenditures and operating budgets or spending plans. In the future, the system will be capable of tracking the allocation of resources (spending and budget) and performance measures directly to an initiative or statewide program. By using attributes, or additional data fields on the cost center or activity dimension, users can quickly assemble and consolidate program costs across traditional secretarial and agency organizational structures. With flexible coding structures, the Commonwealth can perform virtual reorganizations without changing existing organizational structures.</p> <p>Tracking Key Initiatives and Programs Key initiatives are often subsets of service areas across the entire enterprise. In order to track resource allocations to a strategic objective it is important to link cost centers by program attributes. Cost center activities can potentially be assigned to multiple programs and initiatives simultaneously. Similarly, not all cost centers will be assigned to an initiative. Initiative tracking creates both double counting and no-count situations. This approach to tracking budgets, costs, and performance is suitable for management evaluation and resource allocation decisions but is not designed for official financial records. This data, because of the inconsistencies regarding double-counts and no-counts, needs to have clearly-stated assumptions to overcome its obvious shortcomings.</p> <p>Strategic Planning Operations</p>

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	<p>In the Commonwealth, the strategic planning process moves through a series of analytical steps in a multi-year cycle. Although strategic planning has specific delivery end-dates, it is ultimately a continuous process that promotes innovation and continuous improvement. In the future, the Commonwealth will perform the following strategic planning activities:</p> <p>Executive Direction – Senior executives in the Commonwealth will develop and communicate their priorities, goals, and objectives to agencies. Organizations will create cross-functional committees to address societal problems. Agencies will be requested to identify potential program initiatives and to effectively compete against other agencies seeking new or additional resources. At this phase of the strategic planning process the Commonwealth will perform the following tasks:</p> <ul style="list-style-type: none"> • communicate statewide objectives, • coordinate call for solutions and program initiatives, • refine key measures and outcomes, and • develop standards for managing for results. <p>Agency Strategic Planning – The future process of agency strategic planning is not materially different than the current process. Agencies will continuously fine-tune their mission and vision and evaluate future resource needs for their activities. The time orientation will change with agencies adapting to a longer time horizon of six years. In the strategic planning phase the agencies will perform the following activities:</p> <ul style="list-style-type: none"> • develop organization mission and vision, • conduct needs assessment, • develop organization goals, • identify organization outcomes, and • develop policy direction. <p>Service Area Planning – Similar to strategic planning, service area planning will use the same template as the current process. Organizations will continue to align their service area structure to agency missions and customer needs. Service area planning will permit organizations to plan at a lower level of detail. Objectives, strategies, tactics, and measures can be assembled and monitored at the activity level. The focus of service area planning will shift to developing new initiatives and base realignments to meet future needs or to enhance current service delivery. Agencies will develop strategies for working within a financially constrained environment. Based on current and prospective needs service area planning will emphasize program improvement and meeting growing service demands with limited resources. In this phase of strategic planning agencies will perform the following tasks:</p> <ul style="list-style-type: none"> • identify service area structure, • align service areas to mission, • conduct needs assessment (forecast future needs), • develop service area objectives, • identify activities and associated objectives, • identify strategies and tactics for activities, • develop performance measures (inputs, outputs, efficiency, service quality, outcomes, explanatory data), • develop performance targets, • identify needed new and expanded facilities and other capital budgeting requirements, and

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	<ul style="list-style-type: none"> • set priorities and rank alternative strategies. <p>Performance Budgeting – Strategic planning is intricately linked to the development of the operating and capital budgets. Base budget assessments have already been completed and the need for new initiatives has already been identified in service area planning activities. Budgeting becomes the formal process to request funds and justify agencies' requests in a competitive environment. Priorities and justifications have already been developed during the strategic planning process and therefore few surprises arise during this phase of the process. The performance budgeting component of strategic planning reinforces the following activities:</p> <ul style="list-style-type: none"> • evaluate program performance within the context of available funding and against previously established performance targets, • budget statewide initiatives, • integrate with capital planning requirements, • evaluate and rank program initiatives (decision packages), • integrate goals and performance measures, and • publish results. <p>Managing Work Processes – Strategic planning requires continuous coordination and feedback with budget execution, general accounting, and cost accounting. Agencies will initiate the short-term components of the strategic plan by developing/revising detailed spending and performance targets. Performance measures and expenditures will be tracked by activity allowing managers to track actual performance against budget and targets. In this stage the systems will support the following activities:</p> <ul style="list-style-type: none"> • develop spending plans, • revise performance targets, • allocate costs (ABC), • record measurement data, • provide internal reports, and • validate data. <p>Assessing Results – Strategic planning requires feedback and review processes to be effective. Performance needs to be reviewed with a focus on process improvement and realignment. By reviewing actual and planned performance and reassessing changing demands for services, the strategic planning process will actually impact operations and subsequently create substantial management and political support for the effort. In this stage the systems will support the following activities:</p> <ul style="list-style-type: none"> • review performance (compare budgets and actuals to targets), • assess validity of measures and activity–costing, • evaluate program performance and impact on outcomes, • prepare accountability report, • communicate results, • obtain stakeholder feedback, • revise strategic plans and strategies, and • evaluate program performance and management capability. <p>Integrating Performance Assessment and Operating Budget Development - Performance review is an integral component of performance budgeting. The process has been designed to allow program realignment and promote competition within and between</p>

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	<p>agencies. Agencies currently are continuously reassessing their needs and service delivery options. This proposed process standardizes internal agency reviews, opens the review process to DPB, utilizes performance measures to promote and defend decisions, and provides a baseline and performance targets for managing results. On an annual basis, agencies will review approximately 25 percent of their existing service areas using the following process:</p> <ul style="list-style-type: none"> • for each service area analyzed, identify its major service activities, • evaluate outcome, output, or efficiency measures for each activity, • for each activity, prepare performance targets for the next six years, • identify the regulatory and statutory constraints in resource reallocation, • rank all of the service area activities in priority order; the base budget would be the overall funding limit for base activities; new initiatives over and above the base could be proposed as decision packages, • utilizing the base budget, identify potential resource allocation realignments; agencies will identify activities that can be either contributors or beneficiaries of resources; this process realigns programmatic activities in a zero-sum environment, • propose base budget realignments as technical adjustments, • identify any new initiatives and opportunities (decision packages) to improve service delivery and meet agency goals and objectives; new initiatives will include performance measures and proposed targets, • decision packages for new or expanded initiatives are competitively evaluated against all proposed agency initiatives, and • agency managers sign-off on their intention to achieve results.
Improvement Opportunities:	<p>Technology Enablers</p> <p>Utilizing the ranking/prioritization module of a performance budgeting system, agencies can simulate the effects of funding changes on their base budgets. Agencies can assess the impacts of base budget reductions or realignments; simultaneously system users can prepare funding simulations, allowing them to assess the impacts of different funding decisions.</p> <p>The system will have the ability to group agency requests by Executive initiative and simultaneously track spending and future performance targets. The system will help agencies align initiatives to executive priorities. Proposals will be competitively evaluated based on their ability to meet performance targets and support Commonwealth goals and objectives. The system will have the ability to rank initiatives by review level, i.e., agency request, secretarial review, DPB review, etc. Projects can be ranked by cost and benefit. A project approval line can be set to represent the total available funds for new initiatives. Projects above the line will be funded, while those below the line will be deferred or denied.</p> <p>System integration will streamline data entry. Currently, systems supporting the strategic planning and budget processes require the same data to be entered multiple times. With the new system users will enter the data once and all supporting modules will share the data. Strategic planning and budget data changes will be available to all users in real time.</p>
Legal/Policy Reform Impacts:	<p><u>Legal</u></p> <ul style="list-style-type: none"> • Personnel and bonus rewards with respect to implementing a “Managing for Results” program • Agency gainsharing – programs allowing agencies to keep a percentage of savings

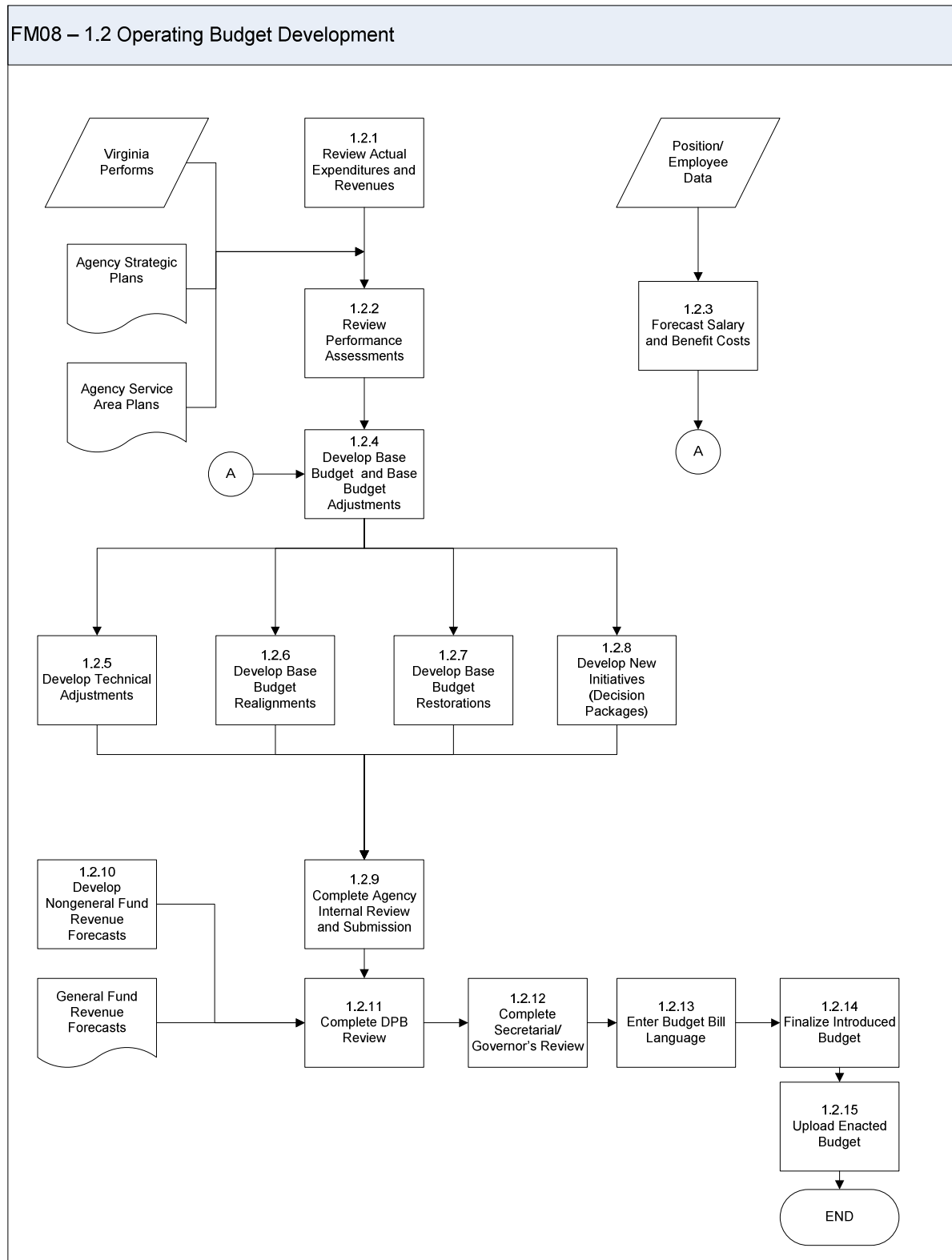
FM08-1.1 – Process Thread Description – Strategic Planning	
	<p>generated</p> <ul style="list-style-type: none"> • Agencies retaining unspent funds from year to year • Ability of agencies to realign base budgets for new initiatives or program adjustments <p><u>Policy</u></p> <ul style="list-style-type: none"> • Strategic planning will become a process of developing long-term policy-oriented plans (the planning horizon will be extended to three biennia) that link the present with a statewide vision of the future • Strategic planning will become the foundation for resource allocation decisions in the budgeting process • Performance assessment will provide the critical link between strategic planning and budgeting • Elevating the importance of performance measures will help to drive the development of measures that better describe program outputs, costs, and contributions to desired outcomes
Organization/People Impacts:	<ul style="list-style-type: none"> • Training will be required to assist staff in implementing performance measure reviews and performance assessments.
Assumptions:	<ul style="list-style-type: none"> • Virginia Performs will continue to house performance measure data and may be included in the new ERP system.
Access Methods:	<ul style="list-style-type: none"> • Web Browser
System Interfaces:	<ul style="list-style-type: none"> • Human resource and payroll systems • Phase II agency financial systems • Agency internal strategic planning systems

Process Details			
ID	Step	Description	Detailed Steps
1.1.1	Communicate Executive Direction and Statewide Objectives	Executive management communicates statewide objectives and strategic direction.	<p>Step 1: Communicate statewide objectives.</p> <p>Step 2: Coordinate call for solutions and program initiatives.</p> <p>Step 3: Refine key measures and outcomes.</p> <p>Step 4: Develop standards, rewards, and incentives for “Managing for Results” program.</p>
1.1.2	Develop Strategic Plans	Strategic planning is the systematic review of what an organization wishes to accomplish and how to achieve it. The objective of strategic planning is a set of goals, action steps, and measurements constructed to guide performance.	<p>Step 1: Develop agency mission and vision.</p> <p>Step 2: Conduct needs assessment.</p> <p>Step 3: Forecast future service demands.</p> <p>Step 4: Develop organization goals.</p> <p>Step 5: Identify organization outcomes.</p> <p>Step 6: Develop policy direction.</p>
1.1.3	Develop Service Area Plans	The service area plan (like the agency strategic plan) is the vehicle for the service area to tell its specific story and document its challenges. The service area plan is more specific than the strategic plan in that it covers strategic issues as	<p>Step 1: Identify service area structure.</p> <p>Step 2: Align service areas to mission.</p> <p>Step 3: Conduct needs assessment.</p> <p>Step 4: Develop service area objectives.</p> <p>Step 5: Identify activities and associated objectives.</p> <p>Step 6: Identify strategies and tactics for activities.</p> <p>Step 7: Identify performance measures.</p> <p>Step 8: Forecast nongeneral fund revenues.</p> <p>Step 9: Develop performance targets.</p> <p>Step 10: Set priorities and rank alternative strategies.</p>

Process Details			
		well as operational issues.	
1.1.4	Analyze Financial and Performance Results	Performance reporting provides the tools to manage agency work processes and analytics. This information becomes the foundation for strategic planning and performance assessment.	<p>Step 1: Develop agency spending plans (budget execution).</p> <p>Step 2: Allocate costs to activities.</p> <p>Step 3: Record management data.</p> <p>Step 4: Review internal reports.</p> <p>Step 5: Validate data.</p>
1.1.5	Assess Performance	Annually, agencies will review approximately 25 percent of their service areas with the intent of identifying efficiencies and reallocating base budgets to improve services and enhance outcomes.	<p>Step 1: For each service area analyzed, identify its major service activities.</p> <p>Step 2: Evaluate outcome, output, or efficiency measures for each activity.</p> <p>Step 3: For each activity, prepare performance targets for the next six years.</p> <p>Step 4: Identify the regulatory and statutory constraints in resource reallocation.</p> <p>Step 5: Identify potential resource allocation realignments. Agencies will identify activities that can be either contributors or beneficiaries of resources. This process realigns programmatic activities in a zero-sum environment.</p> <p>Step 6: Identify any new initiatives and opportunities (decision packages) to improve service delivery and meet agency goals and objectives. New initiatives will include performance measures and proposed targets.</p> <p>Step 7: Agency managers sign-off on their intention to achieve targets and results.</p>

6.2 Operating Budget Development

Exhibit 6.2 – FM08 Performance Budgeting – Operating Budget Development



FM08-1.2 – Process Thread Description – Operating Budget Development	
Process Description:	<p>The operating budget development process in the future state has been redesigned to be more integrated with the agency strategic planning process. Budgeting in the Commonwealth will become a more integrated process of planning, performance monitoring, performance assessment, and realignment. Agencies will participate in a process of directing resources and services to support statewide initiatives that will improve the lives of Virginia's citizens. Specifically, the budget process is being modified to promote:</p> <ul style="list-style-type: none"> Communication disseminating executive policy initiatives and direction. Competition requiring agencies or private entities to compete for scarce resources by proposing initiatives that will make significant contributions to society. Prioritization/Effectiveness enhancing management's ability to rank and select programs for funding or to reduce or eliminate the lowest-performing programs and the lowest-priority services. Realignment developing a new process for agencies to adjust their base budgets to meet changing program needs and service demands. Efficiency reducing the costs per output or level of service for funded programs. Analysis providing tools to aid in the development of operating and capital budgets and spending plans. <p>Communication The Commonwealth's budget process will emphasize funding for new and expanded initiatives that contribute to solving major statewide societal problems. Executive management will identify areas of concern and key outcomes to improve. Executive communication and direction will ensure that agencies understand the strategic direction and the rules for participating in, designing, and implementing a solution.</p> <p>Competition Agencies will be provided the opportunity to propose service approaches that will have an impact on measurable outcomes. Agencies will compete for resources and for the ability to participate in and manage major initiatives. Agencies that can apply their existing resources, knowledge of the problem/issue, and experience with the proposed tasks will have an obvious advantage. Managers will be held responsible for delivering on their proposals. Most initiatives will be designed for three- to five-year time horizons; a sufficient period, in most cases, to assess their initial contributions.</p> <p>Prioritization/Effectiveness Competition requires the ability to prioritize, rank, and evaluate alternatives. Strategies that provide greater benefits and shorter timeframes will receive higher rankings. In the future state, agencies' base budget targets will be reduced by a standard percentage to encourage the identification of programs and services that can be reduced or eliminated. Agencies will be provided an opportunity to request restoration of these reductions. However, they will be competing against other agencies' requests as well as statewide initiatives.</p>

FM08-1.2 – Process Thread Description – Operating Budget Development	
	<p>Realignment Agencies have traditionally focused on improving their overall operations. The operating budget process in the future state will be enhanced to promote and encourage realignments within the traditional base budget. Agencies may, utilizing the performance assessment process, shift existing funds and positions to programs and services that have the greatest need, opportunity, or impact.</p> <p>Efficiency The Commonwealth has constraints regarding its ability to raise taxes or otherwise enhance revenues. It is the responsibility of executive management to allocate funds in the most efficient manner. In the future state, agencies' base budget targets will be reduced by a standard percentage to encourage the identification of efficiencies. Agencies will be provided an opportunity to reallocate these savings.</p> <p>Analysis The new process is highly dependent on information, tools, and analytical thinking. The future state provides tools that will make the analytical process easier and eliminate many of the labor-intensive tasks that currently inhibit the development of alternative strategies.</p> <p>Operating Budget Development Process Effective operating budget development requires both tools and supporting processes. In the future state, the ERP solution will provide the primary toolset while procedures will change to help the Commonwealth stay focused on its strategic direction. The detailed process steps apply primarily to the biennial budget development process used to create the budget bill for each new biennium. While many of the steps also are relevant to mid-biennium budgets (amended budgets) and "caboose" budgets, some of the steps (e.g. base budget development) will not apply. The operating budget development process will be changed to support the following activities:</p> <p>Performance Assessment On an annual basis agencies, with the support of DPB, will analyze approximately 25 percent of their service areas. This performance assessment process has been designed to utilize agency performance metrics as the foundation for this analysis. The end result is the development of better measures that truly document the outputs of the program, the costs of the program, an understanding of the program's contribution to societal outcomes, and management sign-off on their commitment to deliver as promised. Performance assessment provides the critical link between strategic planning, performance measures, expenditure reporting, and budgeting. The performance assessment process is a critical step in the development of the operating budget.</p> <p>Base Budget Realignments In the future state, the budget process will emphasize base budget development to a greater extent. The base budget will be continuously reassessed by agencies and DPB. Each biennium, DPB will reduce base budget targets by a standard percentage. This percentage will be adjusted each cycle based on economic forecasts and on the needs to finance critical statewide initiatives and program deficiencies. Through the strategic planning and performance assessment processes, agencies will already have an understanding of their needs, service efficiencies, and opportunities for improvements.</p>

FM08-1.2 – Process Thread Description – Operating Budget Development	
	<p>Agencies will be responsible for realigning their base budgets to meet these needs and for eliminating programs that have minimal impacts on their missions, goals, and objectives. Agencies may request base budget restorations; however, these requests will be competitively evaluated and ranked against other agencies' requests as well as statewide initiatives.</p> <p>Salary and Benefit Forecasting Agencies will be supported by a salary and benefit calculation tool. This tool will assist agencies in forecasting personnel costs. The salary forecasting tool will be configured to assist agencies in measuring the impacts of filling vacancies, promotions, and staff realignments. The salary and benefit forecasting system is closely integrated with decision packages supporting new and expanded program requests and base budget restorations. The system will be integrated in a future phase with the ERP's human resource/payroll module.</p> <p>Decision Packages The decision package process will be utilized to support new initiatives and base budget restoration requests. A decision package is a proposal to modify (incrementally) an agency's base budget or existing budget or to modify language. Each decision package costs out and justifies one budget action. The action proposed in each decision package is a discrete unit that can be evaluated on its own merit, independently of any other proposals. Agencies submit decision packages for:</p> <ul style="list-style-type: none"> • any proposed action that reflects a net cost in dollars or increase in positions, or that reflects a net savings of dollars or positions, • any proposed action that has a significant policy or budgetary impact, • proposed changes to language, and • any budget impacts associated with legislative proposals. <p>Decision packages incorporate the ability to request funds, identify funding sources, group statewide initiatives, and rank and prioritize alternatives. Decision packages will also incorporate performance measures and targets. Agency managers will commit to delivering on promised targets if their requests are ultimately approved. Changes to decision packages are tracked in an audit trail.</p> <p>Budget Phases The budget process is subdivided into multiple budget phases representing discrete steps in the development and review process. All budgetary changes are tracked by phase. System users can rank their initiatives and budget requests independently in each phase. Budget totals and changes can be reported by phase in real-time. Funding criteria can be established by phase and can subsequently change as revenue and funds available forecasts evolve. Security is established by phase allowing users access to view and modify information at appropriate times.</p> <p>Virtual Reorganizations New processes and tools will allow DPB and agencies to model proposed reorganizations. The system can present reorganizations in the context as if they had always existed with historical financial and statistical data. In addition, the system will allow users to assign attribute fields and chart of accounts elements in order to track and roll up expenditures without actually reorganizing. With attributes, users can track new initiatives (budgets and expenditures) across agencies or the entire Commonwealth (virtual reorganizations).</p>

FM08-1.2 – Process Thread Description – Operating Budget Development	
	<p>Summary</p> <p>Operating budget development is used to create all proposed general fund and nongeneral fund appropriations (Part 1 of the Budget Bill) for the biennium. This process involves both the individual agencies and DPB. The functions include the following major processes:</p> <ul style="list-style-type: none"> • performance assessments (performed during strategic planning), • salary and benefit forecasting, • base budget development and adjustments, • technical adjustments, • base budget realignments, • base budget restorations, • new or expanded initiatives (decision packages), and • six-year nongeneral fund revenue forecasts. <p>The operating budget process also includes the development of mid-biennium budget amendments and the “Caboose Bill.”</p> <p>The future state will provide a unified system that integrates agency budget development with subsequent review phases. The new ERP system will provide agencies with multiple years of actual expenditure and revenue history.</p> <p><u>Detail Level</u></p> <p>Currently, some agencies develop their budgets at a greater level of detail than is required for the Governor’s introduced budget. For example, the following chart of accounts may be used by an agency; those items marked with an asterisk (*) are required for all agencies:</p> <ul style="list-style-type: none"> • Fund*, • Fund Detail*, • Program*, • Service Area*, • Cost Center, • Activity, • Project/Phase/Task, • Major Object for Nonpersonal Services*, • Subobject for Nonpersonal Services, and • Subobject for Personal Services*. <p>The new ERP system will allow agencies to budget at greater levels of detail than are currently entered into WebBEARS today and will provide the flexibility for many additional chart of accounts elements to be used. There will continue to be a uniform minimum level of detail required for all agencies; however, individual agencies may budget at different levels of granularity. For reporting and changes in subsequent phases, the data can be rolled up to this minimum level of detail.</p>
Improvement Opportunities:	<ul style="list-style-type: none"> • Salary and benefit calculations based on actual authorized positions and incumbents • One system of entry and record for submission information • Electronic routing of information for approval and edits • Detailed audit trail of changes to requests • Security to ensure users see only relevant data within system • View expenditure and budget history

FM08-1.2 – Process Thread Description – Operating Budget Development	
	<ul style="list-style-type: none"> • Biennial process is directly linked to the six-year financial plan • Detail information is entered in same system as summary information • Electronic notification and workflow, including the routing of requests • Opportunity to automate distribution of decision packages to General Assembly
Legal/Policy Reform Impacts:	<p><u>Legal</u></p> <ul style="list-style-type: none"> • None identified at the current time <p><u>Policy</u></p> <ul style="list-style-type: none"> • Budgeting will use analytical information on outcomes linked to resource use by program/activity (performance assessment) and will shift resources to meet changing needs (base budget realignments) • Budgeting will connect actual and targeted results to spending while establishing an environment to discuss, evaluate, and re-evaluate earlier decisions • Budget process will move from disconnected functions to a connected chain of activities • Budget process will support variable time horizons and measurement functions to link the Commonwealth's strategic direction with the short-term resource allocations in the budget
Organization/People Impacts:	<p><u>Training</u></p> <ul style="list-style-type: none"> • Training on the new system and related policies and procedures will be required <p><u>Agency Impact</u></p> <ul style="list-style-type: none"> • Reduced time/effort needed for base budget development due to automation of some base budget development processes <p><u>DPB Impact</u></p> <ul style="list-style-type: none"> • Reduced data entry
Assumptions:	<ul style="list-style-type: none"> • The system selected will be integrated with the financial and human resource/payroll systems.
Access Methods:	<ul style="list-style-type: none"> • Web Browser
System Interfaces:	<ul style="list-style-type: none"> • Human resource and payroll systems • Phase II agency financial systems

Process Details			
ID	Step	Description	Detailed Steps
1.2.1	Review Actual Expenditures and Revenues	In the new ERP system, agency budget analysts will be able to view historical expenditures together with prior-year budget amounts to assist with base budget development. This data may be modeled using tools provided by the ERP and may be used as a reference or to populate the next biennial budget in a web-based budget form. This will greatly reduce redundant data entry.	Step 1: Review actual expenditures and revenues. Users will have access to reports and web-based forms that may include actual expenditures and revenues. Data can be used to create forecasts, projections, or as a basis for budget development. The web-based budget form will be configured by DPB with agency input to include chart of accounts fields, display-only data columns, and data entry columns. Data entry forms may use different charts of accounts for different agencies and may display multiple columns of actual and budget data based on the chart of accounts used in the budget form. Based on the configuration, users will be able to see the agency level of detail for an

Process Details			
ID	Step	Description	Detailed Steps
			entire program or service area, objective, or cost center.
1.2.2	Review Performance Assessments	Performance assessment is an integral component of performance budgeting. In the future state, agencies will review their performance assessments (performed during the strategic planning process) to rank their activities in priority order. The performance assessment process has been designed to promote realignment and competition within the agencies. Agencies currently are continuously reassessing their needs and service delivery options. This proposed process standardizes internal agency review, opens the review process to DPB, and utilizes performance measures to promote and defend requests and decisions. On an annual basis, agencies will review approximately 25 percent of their existing service areas.	<p>Step 1: For each service area analyzed, review prior performance assessments.</p> <p>Step 2: Review current performance measures (including Virginia Performs data) for each activity.</p> <p>Step 3: Review performance targets for the next six years.</p> <p>Step 4: Identify the regulatory and statutory constraints regarding potential resource reallocation.</p> <p>Step 5: Rank all of the service activities in priority order. The base budget would be the overall funding limit for base activities. New initiatives over and above the base could be proposed as decision packages.</p> <p>Step 6: Revise programmatic activities and realign budgets. Utilizing the base budget, identify potential resource allocation realignments. Agencies will identify activities that can be either contributors or beneficiaries of resources. This process realigns programmatic activities in a zero-sum environment.</p> <p>Step 7: Propose base budget realignments (proposed as technical adjustments but considered to be policy changes).</p> <p>Step 8: Identify any new initiatives and opportunities (decision packages) to improve service delivery and meet agency goals and objectives. New initiatives include performance measures and proposed targets.</p> <p>Step 9: Decision packages for new and expanded initiatives are competitively evaluated against all proposed agency initiatives.</p> <p>Step 10: Agency managers sign off on their intention to achieve targets and results.</p>
1.2.3	Forecast Salary and Benefit Costs	In the future state, authorized positions will be incorporated into the budget development system from the Commonwealth's integrated human resource/payroll system. During the first project phase, agency-specific human resource/payroll data will be used.	<p>Step 1: The new ERP system will allow the Commonwealth to budget positions at several levels of detail (i.e., subobject, title, position, and employee).</p> <p>Step 2: Individual agencies can be forecasted at different levels of detail. If more detailed levels are selected, such as employee, the data can be rolled up seamlessly to the less detailed levels,</p>

Process Details			
ID	Step	Description	Detailed Steps
			<p>such as position and subobject.</p> <p>Step 3: In the future state, DPB will have the ability to create salary and benefit targets for agencies using agency-specific human resource/payroll data. This will be a cooperative process involving agencies to ensure that the proper assumptions and parameters are used. The following functionality will be available to DPB and other agencies during base budget development:</p> <ul style="list-style-type: none"> • Current and future costs may be loaded from the human resource/payroll systems and used by the salary and benefit forecasting tool. The calculations will incorporate any approved or projected salary increases or known benefit rate changes. • The cost of vacant positions will also be calculated based on predefined salary amounts for the job classifications, together with a default set of benefits and other non-salary costs (such as uniform allowances). Current vacancies will be known, since current data can be acquired from the payroll system. • Agencies will have the option of creating split funding for individual positions, which is helpful to estimate nongeneral fund amounts and allocations between activities. <p>This new functionality will allow the Commonwealth to calculate the costs and associated benefits of filled and vacant positions based on an average salary by classification and a set of default benefits by defined group. If actual employees are used, the current incumbent's salary and benefits will be calculated.</p> <p>Step 4: Permanent transfers of positions between agencies or programs during the year will be reflected in the salary projections, eliminating the need to manually adjust for these position movements. These costs by subobject</p>

Process Details			
ID	Step	Description	Detailed Steps
			for both filled and vacant positions will be separated so DPB can verify that the full cost for all authorized positions has been identified. Vacancy/turnover rates can be applied to all positions—both filled and vacant—to generate the savings used to fund other operations for individual agencies.
1.2.4	Develop Base Budget and Base Budget Adjustments	<p>In the current state, DPB issues instructions during the summer in odd-numbered years for agencies to begin the base budget development process. These instructions include overall agency targets for general fund and nongeneral fund appropriations (both dollars and positions) for each year of the new biennium.</p> <p>DPB currently requires agencies to make various adjustments to their starting base budget, which is the second-year appropriation for dollars and positions in the prior biennium. Base budget and technical adjustments may include similar types of modifications, and neither involves policy decisions. DPB will work with agencies to create base budget adjustments directly in the ERP application. These adjustments may include:</p> <ul style="list-style-type: none"> • the elimination of one-time spending or savings amounts, • the annualization of partial-year spending or reductions, • nonpolicy-related increases or decreases in nongeneral fund appropriations, • the transfer of dollars or positions between agencies or programs, and • the incorporation of certain changes approved administratively to account for central appropriation actions. 	<p>Step 1: DPB will develop base budget targets.</p> <p>Step 2: In the future state, one-time items will be identified within the ERP system. The application will systematically remove these items from the base budget in the subsequent years, thereby eliminating the need to manually search for and reverse these amounts.</p> <p>Step 3: To address annualization of partial-year funding items included in the previous second year of the biennium (other than position-related items) and administratively approved changes, a new configurable budget entry form will be created. This budget form will allow DPB to enter these amounts directly in the new system rather than creating separate spreadsheets to send to agencies for completion. Annualizations and one-time adjustments are each segregated by the ERP system, providing the opportunity to create reports showing the progression of the base budget development.</p> <p>Step 4: The elimination of one-time items together with the adjustments entered using the budget forms will be added/subtracted to the prior second year of the biennium to provide the agencies and DPB with adjusted base budgets.</p>

Process Details			
ID	Step	Description	Detailed Steps
1.2.5	Develop Technical Adjustments	Agencies are currently requesting technical adjustments to bring the DPB adjusted base budget in line with the base budgets created internally by the agencies. In the future state, both of these adjustments will be created in the same system, thereby eliminating the need for manual input.	<p>Step 1: In the event that technical adjustments are still required, the new ERP system will calculate the differences between DPB's adjusted base budget and the internal base budgets developed by the agencies and summarized at the DPB budget level. These differences would include any additional funding required for partial-year positions approved in the second year of the prior biennium. Using currently authorized positions, the system will calculate the annualized costs for any partial-year funded positions.</p> <p>Step 2: Once these salary annualizations have been calculated, agency budget users will be able to use a web-based budget form to review the projections and provide a narrative justification.</p> <p>Step 3: The budget form will be configured for the level (agency-wide or by program or service area) at which agencies will justify their adjustments. A separate budget form could be created for each program (or service area) and the agency will be able to enter an overall justification summarizing all of the changes for the entire program as well as entering individual justifications.</p> <p>Step 4: Once an agency has completed their narrative justifications they will use the workflow capability of the ERP system to route their requests to DPB for review. The final agency request amounts will be preserved throughout the budget process.</p>
1.2.6	Develop Base Budget Realignments	Agencies continuously reassess their programs and quality of service delivery. The future state encourages this process by allowing agencies to realign their base resources to expand existing base programs. Agencies will have more flexibility to move resources internally.	<p>Step 1: Agencies review their strategic and service area plans.</p> <p>Step 2: Agencies review their service and activity performance assessments.</p> <p>Step 3: Agencies identify areas of greatest need. Agencies identify resources that can be reallocated.</p> <p>Step 4: Agencies prepare proposed base budget realignments. Base budget realignments will be treated as technical adjustments.</p>
1.2.7	Develop Base Budget Restorations	Each biennium agencies will need to "defend" a percentage of their existing base budgets. Agency base budget targets will be established at a percentage of their prior year non-exempt	<p>Step 1: DPB reduces non-exempt base budget target by a standard percentage for efficiency savings and for performance realignments.</p> <p>Step 2: Agencies review their strategic plans and performance assessments.</p>

Process Details			
ID	Step	Description	Detailed Steps
		appropriations. Agencies through their strategic planning and performance assessment processes will be positioned to either accept the reductions or request restoration of the funding.	Agencies identify areas where efficiency savings will be reallocated. Simultaneously, agencies will identify programs and services that can be reduced or eliminated. Step 3: Agencies will either accept the program and staff reductions for their lowest-ranked activities or develop a decision package restoration request. Decision packages will contain performance measure target and service delivery commitments. Step 4: DPB reviews restoration requests Commonwealth-wide. Requests will compete against other agencies' requests and new initiatives.
1.2.8	Develop New Initiatives (Decision Packages)	<p>Decision packages are used to propose modifications to an agency's budget or to modify language. Each decision package addresses one budget action. Base budget restoration requests will also be reviewed in conjunction with requests for new or expanded programs.</p> <p>Agencies will be able to define workflow rules for the internal routing of the decision packages within an agency and to the appropriate Cabinet Secretary for review and approval.</p> <p>Amendments required in the second year of the biennium (the "Caboose Bill") are significantly limited compared to the development of the biennial budget or the amended budget. However, the process is the same as the decision package process described above. In the new ERP system, an additional budget form can be created by DPB to capture those requests and process them using the same workflow and prioritization tools.</p>	<p>Step 1: The new ERP system will continue to use decision packages although they will be electronic rather than paper (reports from the electronic version will be available). Similar to the base budget and technical adjustment request forms, the decision package request form will use the concept of stages/phases and a workflow system to route the requests as needed for review or approval. With the future state system, users will be required to select a decision package category from a list maintained by DPB. The system will automatically generate a unique number for each decision package. Various text fields will be provided for each decision package to capture the narrative justification now required with Form NJ. For financial information, users will populate the same minimum chart of accounts fields that are required for the base budget and technical adjustment requests. Users will also enter estimates of recurring expenses for six years and one-time expenses for the first two years. For position-related detail, users will select a class code for the desired position changes and enter the number of positions. The system will use the salary and benefit forecasting tool to cost out the positions and associated benefits. The costs associated with these position changes (by subobject detail) will be included for the six-year period similar to nonpersonal services costs.</p>

Process Details			
ID	Step	Description	Detailed Steps
			<p>Any related nongeneral fund revenue impacts will also be entered in the same decision package. The form will present the net cost of the proposal by year.</p> <p>Step 2: The performance measure(s) anticipated to change as a result of funding the decision package will also be entered in the budget form. Users will be directed to include in their justification the impact on their performance measures that will result from funding the new initiative at 25 percent, 50 percent, and 75 percent. Users will be able to specify the minimum funding required for the initiative to be effective.</p> <p>Step 3: When each decision package is saved, the costs (and revenues) will be incorporated into the agency's total internal budget request that can be viewed with an online reporting tool provided in the ERP system. These decision package amounts will not be accessible to anyone outside the agency until the decision packages are submitted to DPB.</p> <p>Step 4: Agencies can route decision packages to the appropriate Secretary.</p> <p>Step 5: The Secretary can then route the requests back to the agency with comments.</p> <p>Step 6: Complete other electronic budget forms. There are several other types of budget forms that are currently used by DPB and others may be added in the future. The future state system will be configurable to allow DPB to add or modify its budget forms at any time. These forms may simply require additional or different text fields or they may need workflow changes to route them to other locations.</p> <p><u>Information Technology Submission</u> This form will require the same financial information as the decision package form but will also include additional justification fields.</p> <p><u>Rate Adjustment by Central Agencies</u> This form will be an electronic budget form designed to provide the same data input columns currently included on the form, but it may also be designed to</p>

Process Details			
ID	Step	Description	Detailed Steps
			<p>allow entries to cross agencies so all of the adjustments for a single central agency can be entered in a single decision package and, when approved, incorporated into all affected budgets.</p> <p><u>Out-Year Cost Estimates</u></p> <p>As part of the budget development process, agencies are required to document any out-year cost increases/decreases for use in developing the six-year financial plan. In the future state system, an additional budget form will be available for agencies to enter this information.</p> <p>Step 7: New initiatives will be assessed for a period of two to five years for their impact on outcomes.</p>
1.2.9	Complete Agency Internal Review and Submission	<p>The new ERP budget forms and ERP security features used for budget development will allow for internal agency review and modifications of their requests. Agencies will be able to establish workflow rules to guide the internal review and approval of their individual budget requests.</p> <p>Agencies may develop and control their budgets at greater levels of detail than DPB requires for budget submissions. In the future state, agencies will not need to manually summarize their detail data. The ERP will provide an automated method to summarize their detailed entries to the fund, fund detail, program, service area, and major object/subobject level.</p>	<p>Step 1: Each agency will be able to define how many levels of review or approval are required and whether the changes made at each review level are separated for reporting purposes (phases) or combined into a single request amount. For example, an agency may first create their budgets by cost center. These requests will be routed by workflow to the agency budget office for review and modification. The new ERP system will contain all requests in one central system so there is no need to compile or aggregate requests for reporting purposes.</p> <p>Step 2: Every change entered in the budget forms will be tracked in an audit trail identifying the date/time, user, change amount, and reason for change. Users will always be able to track back to the audit trail to determine when a change was made. Security will restrict access to requests and chart of accounts information.</p> <p>Step 3: ERP will summarize data to DPB-determined level.</p> <p>Step 4: Once budget requests are finalized within the agency and ready for submission, they will be routed through workflow to DPB.</p> <p>Step 5: Budget submissions are electronically routed to the General Assembly.</p>
1.2.10	Develop Nongeneral Fund Revenue	Each fall, agencies prepare six-year projections for each source of	Step 1: Develop nongeneral fund revenue forecasts. In the new ERP

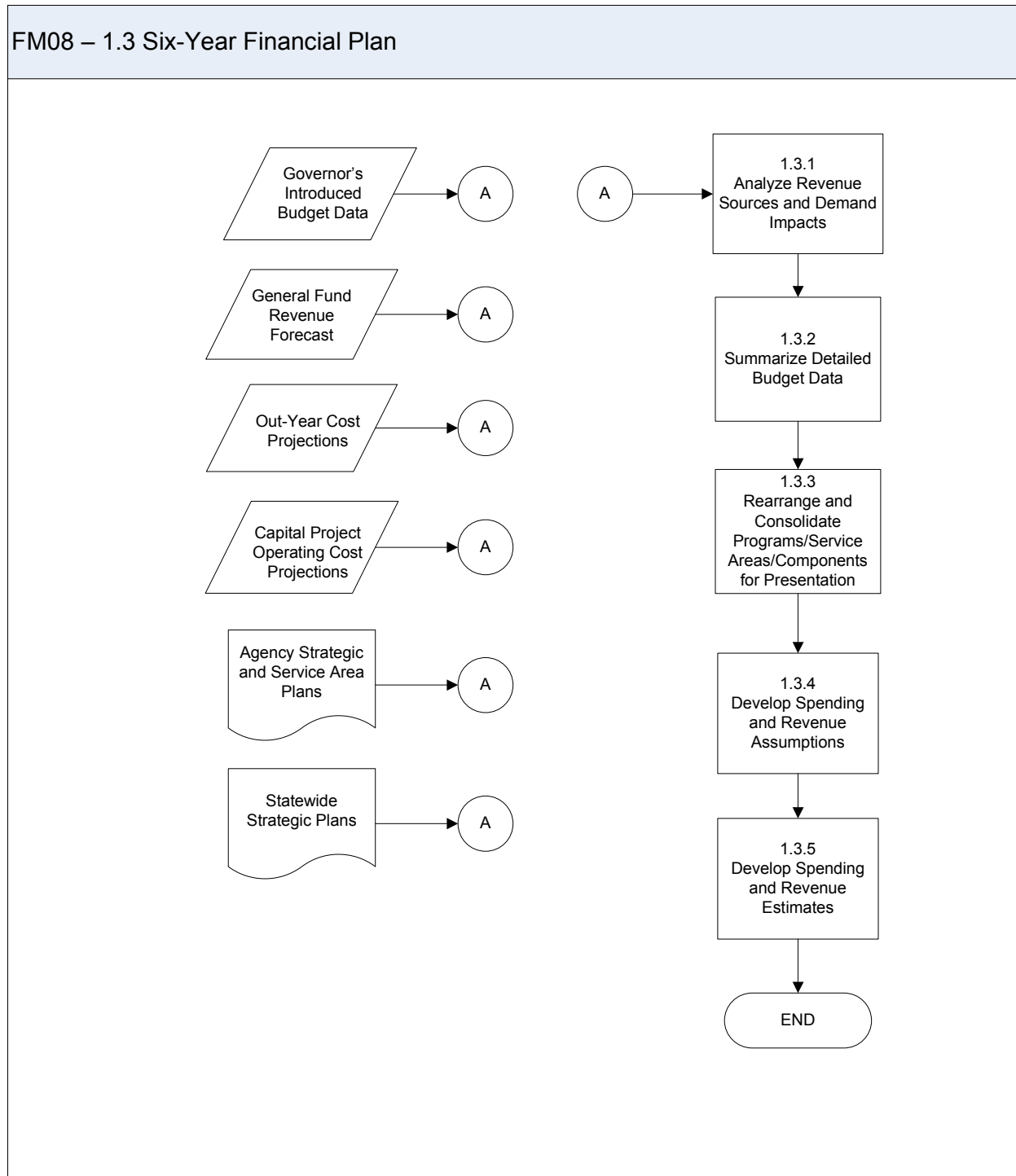
Process Details			
ID	Step	Description	Detailed Steps
	Forecasts	nongeneral fund revenue they collect. The projections for these individual sources are then aggregated to form the official nongeneral fund revenue forecast included in the Governor's introduced budget.	system, the six-year nongeneral fund revenue forecasts will be developed in the same system as the operating budget. Users will use the same type of Web-based electronic budget forms that they will use for all of their other budget data inputs. Currently, revenue estimates are not entered below the fund detail level but the future state system will accommodate additional chart of accounts elements corresponding to the level of detail used for expenditures.
1.2.11	Complete DPB Review	The future state system will notify DPB budget analysts when their agencies' budget requests have been submitted to DPB and are ready for review. DPB analysts will be able to make changes or corrections to the requests without impacting the original agency requests.	<p>Step 1: DPB budget analysts will use the same web-based budget form at a new stage or phase to review the requests. When they begin work, the form will already contain the data entered by the agencies in the prior phase, thus eliminating data entry and version control issues. They will also be able to use a reporting tool to view the data at any level (agency, fund, fund detail, program, and service area) and to compare an agency's request to the starting base budget with all of the base budget adjustments shown as separate columns in the report. They will also be able to compare the base budget submission to the targets established by DPB at the beginning of the budget development process.</p> <p>Step 2: Depending on the workflow rules established by DPB, DPB budget analysts could return the requests to agencies with notes regarding missing or incomplete information, accept the requests, modify the requests documenting their changes in the audit trail, or route the requests to their managers for assistance or review.</p> <p>Step 3: For base budget data, if no changes were needed, no action would be required by the DPB budget analyst. The base budget would be complete; however, DPB could make future base budget adjustments at any time if needed.</p> <p>Step 4: Changes will be tracked separately. The new ERP system will allow for fields and screens to be defined so that only the agency, and not DPB, has access to the information. Conversely, additional fields and screens</p>

Process Details			
ID	Step	Description	Detailed Steps
			can be made available for DPB to use that are not available to the agencies. Step 5: For decision packages, DPB will be able to establish different workflow rules for routing and approval than for base budget reviews. The new ERP system will also provide DPB with the ability to rank and prioritize decision packages across agencies.
1.2.12	Complete Secretarial/Governor's Review	Budget requests will be reviewed by the Secretaries and the Governor in conjunction with DPB.	Step 1: By using the prioritization capability within the future state system, DPB staff will be able to adjust the priority of individual budget requests and, based on available funding, determine which requests can be included in the Governor's budget proposal. The system will allow for the incorporation of approved requests so that the Governor can quickly be advised of the impact of his or her decisions. Should changes be needed, the prioritization can simply be changed to shift some budget requests into the approved funding status and others out of the approved funding status; the entire process may be repeated as many times as necessary.
1.2.13	Enter Budget Bill Language	<p>Budget bill language will be modified by DPB and saved in a database that will be accessed by DPB and DLAS.</p> <p>In the future state, instead of e-mailing Microsoft Word documents, an on-line document management system will be used that can be accessed by DPB and DLAS. The data will still be stored in a database as HTML language, but the data can be accessed using a Web browser or Microsoft Word. A user can pull up the budget bill by item number and make changes directly on the screen, automatically storing the data in the database. Immediately upon saving, both DLAS and DPB can access the updated data. The tool can track changes and save point-in-time versions to allow users to review prior versions if necessary.</p>	<p>Step 1: DPB modifies budget bill language via a Web browser using Microsoft Word or a Web-based text editor.</p> <p>Step 2: DPB saves the language. Text is saved in HTML format in an accessible database.</p>

Process Details			
ID	Step	Description	Detailed Steps
1.2.14	Finalize Introduced Budget	<p>Once the approved decision packages have been finalized they will be combined with the final adjusted base budgets, approved technical adjustments, approved base budget realignments, approved base budget restorations, and approved language to create the Governor's introduced budget proposal.</p> <p>The publishing function will be used to create the Governor's introduced budget bill and the budget document(s).</p>	<p>Step 1: Combine final adjusted base budgets, approved technical adjustments, approved base budget realignments, approved base budget restorations, and approved decision packages with approved language.</p> <p>Step 2: Produce the Governor's introduced budget bill and the budget document(s).</p>
1.2.15	Upload Enacted Budget	The final budget will be uploaded to the financial system for budget execution.	Step 1: Upload the enacted budget to the financial system.

6.3 Six-Year Financial Plan

Exhibit 6.3 – FM08 Performance Budgeting – Six-Year Financial Plan



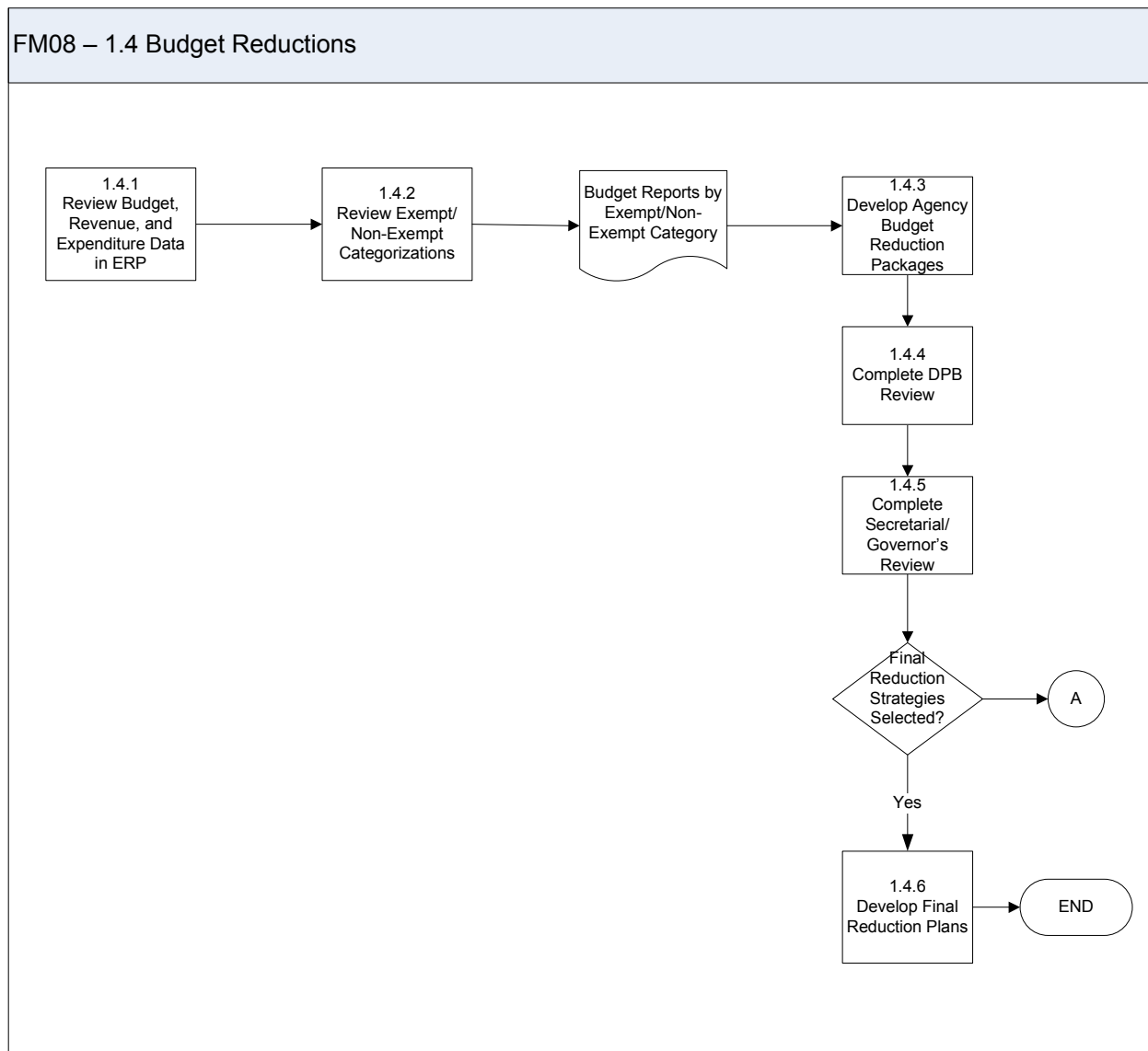
FM08-1.3 – Process Thread Description – Six-Year Financial Plan	
Process Description:	<p>The Governor is required by the Code of Virginia to submit a six-year financial plan to the General Assembly at the beginning of each regular legislative session held in an even-numbered year. The plan includes the projected revenues and recommended appropriations for the next two fiscal years that are included in the Governor's introduced budget as well as estimates of anticipated revenues and spending over an additional four-year period.</p> <p>In the future state system, this plan will be created in the same ERP system that is used to develop the operating budget. This is a logical extension of this system since the starting point for the plan is the Governor's introduced budget developed in the budget system together with out-year cost estimates provided by agencies as part of the budget development process. There are, however, differences between the way the budget is presented and how the six-year financial plan is summarized. The future state system will accommodate the following differences:</p> <ul style="list-style-type: none"> • data may be summarized by major activity rather than by program/service area, and • budget activities are rearranged to accommodate the six-year financial plan presentation.
Improvement Opportunities:	<ul style="list-style-type: none"> • One system of data entry for both budget development and the six-year financial plan that automatically incorporates biennial budget data into the first two years of the six-year financial plan • Multiple versions of the plan can be created and accessed as needed • Multiple users can be working on the plan concurrently • Detailed audit trail of changes to the plan • Security to ensure users see only relevant data within system
Legal/Policy Reform Impacts:	<p><u>Legal</u></p> <ul style="list-style-type: none"> • None identified at the current time <p><u>Policy</u></p> <ul style="list-style-type: none"> • None identified at the current time
Organization/People Impacts:	<p><u>Training</u></p> <ul style="list-style-type: none"> • Training on the new system and related policies and procedures will be required <p><u>DPB Impact</u></p> <ul style="list-style-type: none"> • Reduced data entry • Reduced manual reorganization of budget data to accommodate unique reporting structure of the six-year financial plan
Assumptions:	<ul style="list-style-type: none"> • The system selected will be integrated with the financial and human resource/payroll systems.
Access Methods:	<ul style="list-style-type: none"> • Web Browser
System Interfaces:	<ul style="list-style-type: none"> • Human resource and payroll systems • Phase II agency financial systems

Process Details			
ID	Step	Description	Detailed Steps
1.3.1	Analyze Revenue Sources and Demand Impacts	Analyze statewide and agency strategic plans to determine six-year impacts of service demand drivers.	Step 1: Analyze statewide and agency strategic plans. Step 2: Describe the future impact of changing socio-economic and demographic factors on future Commonwealth budgets. Step 3: Identify major impacts and priorities for the Commonwealth.
1.3.2	Summarize Detail Budget Data	Detail data is summarized to eliminate budgetary detail (including object detail) in the six-year financial plan.	Step 1: The new ERP system will provide the capability to summarize detailed service area plan and budget data. Step 2: The summation will permit changes to be made at the aggregate level and direct data entry at that level for out-year values.
1.3.3	Rearrange and Consolidate Programs/Service Areas/Components for Presentation	Activities are rearranged or consolidated for six-year financial plan presentation.	Step 1: The new ERP system will provide the Commonwealth with alternative rollups of activities for use in developing the financial plan. As interests shift over time, the Commonwealth will use this capability to adjust the reporting focus within the financial plan. This feature will be used to pull certain activities out of one area and add them to another area for presentation purposes.
1.3.4	Develop Spending and Revenue Assumptions	DPB budget analysts will enter their assumptions for the plan.	Step 1: Each record created for a spending or revenue item will include a narrative field for DPB budget analysts to enter their assumptions about the spending or revenue item. This information will then be used in producing the final document.
1.3.5	Develop Spending and Revenue Estimates	DPB budget analysts will enter their projections for the four out-years of the plan.	Step 1: There will be a new budget form used in the future state system to produce the plan. DPB budget analysts will use a new form for each major activity and when the form is accessed, the budget analyst will be shown one line for each of the spending categories within that activity pre-populated with information already available (such as the Governor's introduced budget bill and any out-year data that had been supplied by the agencies with their approved decision packages or out-year cost estimates). Step 2: When the DPB budget analyst first uses the budget form, they will specify a version so alternative scenarios can be developed. Step 3: The system will summarize all of the general and nongeneral fund revenue

Process Details			
ID	Step	Description	Detailed Steps
			and expenditure items and will create the rolling balances between fiscal years. Step 4: When the budget is finally adopted and those changes are entered into the new budget system, the corresponding columns of the financial plan can automatically use the latest data.

6.4 Budget Reductions

Exhibit 6.4 – FM08 Performance Budgeting – Budget Reductions



FM08-1.4 – Process Thread Description – Budget Reductions	
Process Description:	<p>Article X, Section 7 of the Virginia Constitution mandates the Governor to maintain a balanced budget. In addition, the Appropriation Act states that all appropriations are payable only to the extent that the Governor estimates that revenues will be sufficient. The Act also authorizes the Governor to effect spending reductions when the General Assembly is not in session and after submitting a re-estimate of revenues. The Governor is permitted to reduce general fund and nongeneral fund spending by either a uniform percentage, a graduated reduction, on an individual basis, or by a combination of these three actions (up to a maximum of 15 percent).</p> <p>Depending on when the need for budget reductions is first identified, reductions may be implemented either administratively or through the budget process. Generally, the first step is the development of a reduction base. Some activities and programs of agencies are exempt from reductions in order to preserve critical or essential functions. The reduction base is calculated by subtracting the amounts for these exempted activities from agencies' legislative appropriations. The next step involves agency development and submission of budget reduction plans (usually there are alternative scenarios using different percentage reductions).</p> <p>DPB budget analysts are responsible for reviewing the agency budget reduction plans and developing recommendations. Analyst recommendations are reviewed by DPB management, the Secretaries' Offices, and the Governor's Office. Once final decisions have been made, the budget reductions are implemented either administratively or proposed as part of the budget process. This process will be enhanced in the future state utilizing strategic planning and prioritization as well as predefined exemptions to the reductions base.</p>
Improvement Opportunities:	<ul style="list-style-type: none"> • When reductions are required, reports will be generated identifying potential areas (programs and activities) for budgetary review • Agencies and DPB will have a starting point to enable a rapid and systematic response to potential budget reductions • DPB budget analysts can use agency priorities and performance assessments during scenario development and review
Legal/Policy Reform Impacts:	<p><u>Legal</u></p> <ul style="list-style-type: none"> • None identified at the current time <p><u>Policy</u></p> <ul style="list-style-type: none"> • None identified at the current time
Organization/People Impacts:	<ul style="list-style-type: none"> • None identified at the current time
Assumptions:	<ul style="list-style-type: none"> • None
Access Methods:	<ul style="list-style-type: none"> • Web Browser
System Interfaces:	<ul style="list-style-type: none"> • Human resource and payroll systems • Phase II agency financial systems • CARS (if reductions are required between summer 2008 and June 2009)

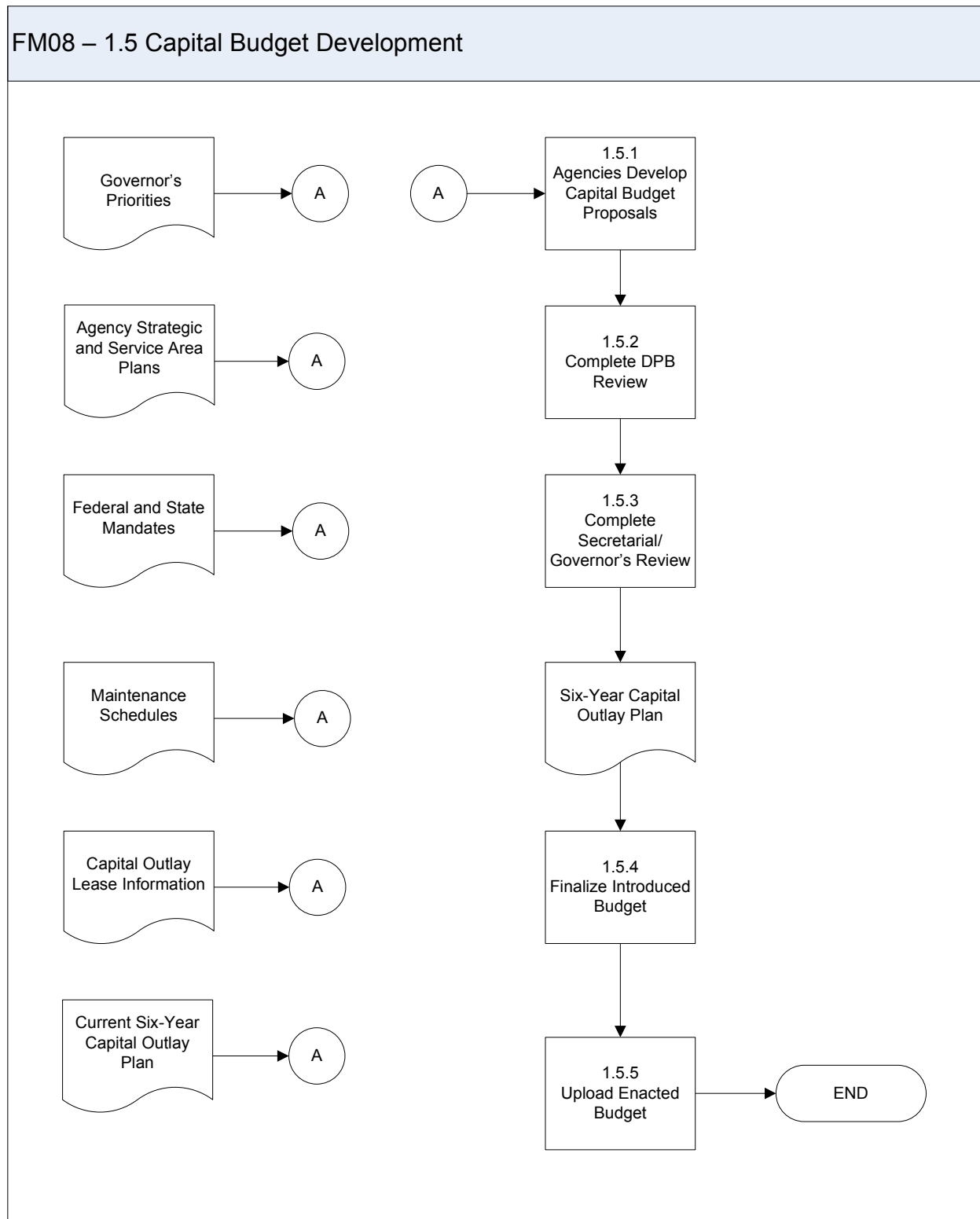
Process Details			
ID	Step	Description	Detailed Steps
1.4.1	Review Budget, Revenue, and Expenditure Data in ERP	In the future state, when the Commonwealth faces a revenue shortfall, DPB budget analysts will review current budgets	<p>Step 1: Review budget, revenue, and expenditure data in ERP.</p> <p>Step 2: Identify remaining unencumbered appropriation and cash balances by agency and fund.</p>

Process Details			
ID	Step	Description	Detailed Steps
		and year-to-date revenues and expenditures.	Step 3: Review historical and year-to-date performance data.
1.4.2	Review Exempt/Non-Exempt Categorizations	The first year following the implementation of the new ERP system, agencies and DPB will work together to assign categories to budget components. Categories may include exempt versus non-exempt, mandatory versus non-mandatory, and others. Because these categorizations will carry over from year to year, the greatest work effort will be required in the first year of implementation.	Step 1: Review exempt/non-exempt assignments for operating programs, service areas, and components. Changes to the initial assignments will be approved by executive management. Step 2: Review capital project assignments, which are categorized by DPB budget analysts according to contract status. Changes to the initial assignments will be approved by executive management.
1.4.3	Develop Agency Reduction Packages	<p>When budget reductions are required, DPB notifies agencies of reduction targets and agencies begin the process of creating budget reduction packages.</p> <p>Agencies use strategic and service area plans in conjunction with the budget categorizations to prioritize budgets. This process is used to examine both the base budget and budget requests (if during budget development). Priorities are created each year to assist with the allocation of resources. For example, new budget requests may be a higher priority than existing base budget items.</p>	<p>Step 1: Agencies will begin by running reports to identify exempt versus non-exempt budget items or reports that break down the other potential categories.</p> <p>Step 2: Agencies will rank and assign priorities to base budgets and budget requests (if during budget development).</p> <p>Step 3: Agencies and DPB will also examine priorities that were assigned during the regular budget process. Since this prioritization is done each year, a recent version of priorities always exists, regardless of when the budget reductions are required.</p> <p>Step 4: This compiled list will then be examined against performance assessments. This will assist agencies, including DPB, in identifying activities that may not be as effective as others and are therefore a lower priority.</p> <p>Step 5: Agencies will then develop scenarios for different levels of anticipated reductions based on guidance from DPB. For example, agencies may create three scenarios of budget reduction packages for 5 percent, 10 percent, and 15 percent reductions. Once the prioritized budgets are examined and reprioritized based on exemptions and performance assessments, this process will be easily adaptable to a number of budget reduction scenarios, including a final reduction amount that was not one of the initial reduction targets.</p> <p>Step 6: Agencies will prioritize their reduction strategies.</p>

Process Details			
ID	Step	Description	Detailed Steps
1.4.4	Complete DPB Review	DPB works with the agencies during the development of agency reduction packages. Once they are developed, workflow routes the scenarios/packages to the appropriate DPB budget analysts for review.	Step 1: DPB will review and modify the agency reduction packages. In the future state, data will be stored in a central repository, giving DPB real-time access to the budget category reports that break down budgets into exempt versus non-exempt and other categories. DPB also can use the reporting solutions to view original and modified agency budget priorities and performance assessment information. These analytical tools allow DPB budget analysts to use a systematic methodology to review agency priorities and reduction strategies in order to make recommendations on reduction packages. (The budget reduction process is iterative and agencies may be requested to provide alternative strategies.)
1.4.5	Complete Secretarial/Governor's Review	Budget reduction packages will be reviewed by the Secretaries and the Governor in conjunction with DPB staff.	Step 1: The Secretaries and the Governor, in conjunction with DPB staff, will review agencies' proposed budget reduction packages.
1.4.6	Develop Final Reduction Plans	Once the final reduction amounts are decided, the appropriate agency reduction strategies are implemented. This process will modify current agency budgets in budget execution or proposed agency budgets if reductions take place during the budget development process.	Step 1: Modify budgets in budget execution or budget development. If budgets are modified in budget execution, accounting journal data may be transferred directly from the performance budgeting module to the financial management module.

6.5 Capital Budget Development

Exhibit 6.5 – FM08 Performance Budgeting – Capital Budget Development



FM08-1.5 – Process Thread Description – Capital Budget Development	
Process Description:	<p>The six-year capital budget development process in the future state will continue to use many of the current independent processes. These processes will be connected and centrally automated to ensure linkage from one process to another. The new ERP system will improve the quality, collection, and use of the information, reduce redundancy in data entry, result in improved, timelier information, and facilitate the decision-making process for allocating resources.</p> <p>In the future state, as in the current state, capital budget projects in off-cycle years (amended budgets) will be requested and reviewed using the operating budget development process since the six-year capital outlay planning process occurs only biennially.</p> <p>Preliminary Project Financing (Design-Only) Capital planning is an iterative process. Capital projects typically require some preliminary funding to analyze project scope, address site locations, and establish comprehensive project plans for future phases. In the future, capital projects may be funded for the initial planning phase only. With the completion of this phase, projects will undergo a second round of review prior to the authorization of construction and equipment funding. The recommended two-phase approach will require a more extensive capital budgeting process for amended budgets (mid-biennium). Nevertheless, this revised process will improve DPB's ability to reliably and accurately project construction, equipment, and future operating costs.</p> <p>Centralized Data Repository/Data Collection There are many sources of information that agencies use to develop and prioritize their six-year capital plans (plan). In the future state, agencies will continue to use these documents and other plans/schedules to assist in the development of the plan. These include:</p> <ul style="list-style-type: none"> • Governor's priorities, • agency strategic plans and long-term goals, • service area objectives, • long-term socio-economic indicators, • federal and state mandates, • maintenance schedules, • capital outlay lease information, and • current six-year capital outlay plan. <p>In the future state, the agencies' strategic plans and long term goals, service area objectives, maintenance schedules, capital outlay lease information, and current six-year capital outlay plan information will exist in the new ERP system that is used for plan development. Agencies will be able to view and use this integrated data in the development of their plans without the need to access other systems.</p> <p>The development of the plan in the new ERP system will be accessed through the use of Web-based forms for development and modifications. The information will be stored in a central database. There will not be a need to manage multiple files and databases. Currently, there are literally hundreds of separate databases and forms used to track agency plans from development to approval.</p> <p>The new ERP system will include project expenditures to-date (by year) as well as prior budget information. This information will be available online and will be viewable when</p>

FM08-1.5 – Process Thread Description – Capital Budget Development	
	<p>creating the requests.</p> <p>Six-Year Capital Outlay Plan Each agency's prior plan and request information will be available in the new ERP system. Agencies will be able to use their prior plans to assist in the creation of their new plans. These prior plans can be electronically routed back to the original agency or other agencies for updates and reprioritizations. Agencies can then resubmit the information for consideration.</p> <p>Public-Private Education Facilities Infrastructure Act (PPEA) In the future state, the new ERP system will have the ability to collect the proposed PPEA project information with Web-based forms. The new ERP system will standardize the entry and submission of these projects. The information will be available for review and approval as well as for formal inclusion in the plan.</p> <p>Maintenance Reserve The new ERP system will include budgeting for maintenance reserve projects. For new projects, the budgeting of maintenance will start with the completion of a facility. An inventory and maintenance schedule should be developed as part of the final phase of a project. The Commonwealth currently has an application, the Facility Inventory and Condition Assessment System (FICAS), that many agencies have used to some degree to identify and track maintenance needs. The data in FICAS may be integrated into the new ERP system. The information may be used in the new ERP system to develop the lists of maintenance needs that will result in plan requests. Maintenance reserve requests by project and subproject, with the specific needs identified, will be included as part of the plan.</p> <p>Capital Outlay Leases In the future state, agencies will have access to their lease information for the next ten years. This lease information will allow agencies to adequately plan for the timely review of leases in order to consider alternatives. Leases are budgeted as part of the operating budget but alternatives to leasing, such as building new facilities, would be considered capital projects and included in the plan. Currently, authorization language to enter into a capital outlay lease is included in the capital section of the budget.</p> <p>Operating Costs/Savings Capital projects may create additional operating costs or savings at or near their completion. In the future state, these costs or savings will be identified when budgeting for a project and then entered into the six-year financial plan to ensure the information is available in order for necessary funding to be included in current or future operating budgets.</p> <p>Workflow and Stages of Review Workflow rules will be defined in the new ERP system that will allow the routing of plan information to the identified reviewers for edits and approvals. Agencies will have the ability to utilize internal stages of review and track changes prior to submission to DPB. In the new ERP system, each phase of the budget process can have multiple stages of review and edits prior to approval.</p>
Improvement Opportunities:	<ul style="list-style-type: none"> • One system of entry and record for submission and review of information • Electronic routing of information for approval and edits including notifications • Detailed audit trail of changes to plans • Security to ensure users see only relevant data within system

FM08-1.5 – Process Thread Description – Capital Budget Development	
	<ul style="list-style-type: none"> • View expenditure and budget history with request information • Electronic link to maintenance schedules to provide project information • Reduce the potential for cost overruns by funding design-only projects • Budget process is directly linked to the six-year capital outlay plan • Detail information is entered in the same system as summary information • Operating costs identified to show total cost of project and for inclusion in current or future operating budgets • Agencies use inventory and maintenance schedules to identify maintenance needs • Subprojects are created to track specific uses of funds for maintenance • Capital outlay lease information available for analysis
Legal/Policy Reform Impacts:	<p><u>Legal</u> – In the future, there may be an emphasis on funding the initial design/planning phase of a project prior to providing construction funding in order to refine scope definitions and develop better construction cost estimates. However, this would mean that projects with funding for only initial design/planning may need to be considered for construction/equipment funding in off-cycle years (amended budgets). This will require a statutory change. Currently, the Appropriation Act limits consideration of capital requests in odd-numbered years to:</p> <ul style="list-style-type: none"> • supplementing projects that have been bid and determined to have insufficient funding to be placed under contract, and • projects declared by the Governor or the General Assembly to be of an emergency nature, which may avoid an increase in cost or otherwise result in a measurable benefit to the state, and/or which are required for the continued use of existing facilities. <p><u>Policy</u> – In the new ERP system, six-year capital outlay plans will be integrated with the strategic planning process. In addition, there may be an emphasis on funding the initial design/planning phase of a project prior to providing construction funding in order to refine scope definitions and develop better construction cost estimates (see discussion above).</p>
Organization/People Impacts:	<ul style="list-style-type: none"> • Agencies need to be involved in providing estimates of future operating costs or savings and performance measure impacts.
Assumptions:	<ul style="list-style-type: none"> • Agencies will use new ERP system to create their capital outlay plans.
Access Methods:	<ul style="list-style-type: none"> • Web Browser
System Interfaces:	<ul style="list-style-type: none"> • Human resource and payroll systems • Phase II agency financial systems • Facility Inventory and Condition Assessment System (FICAS) • DGS real estate lease system

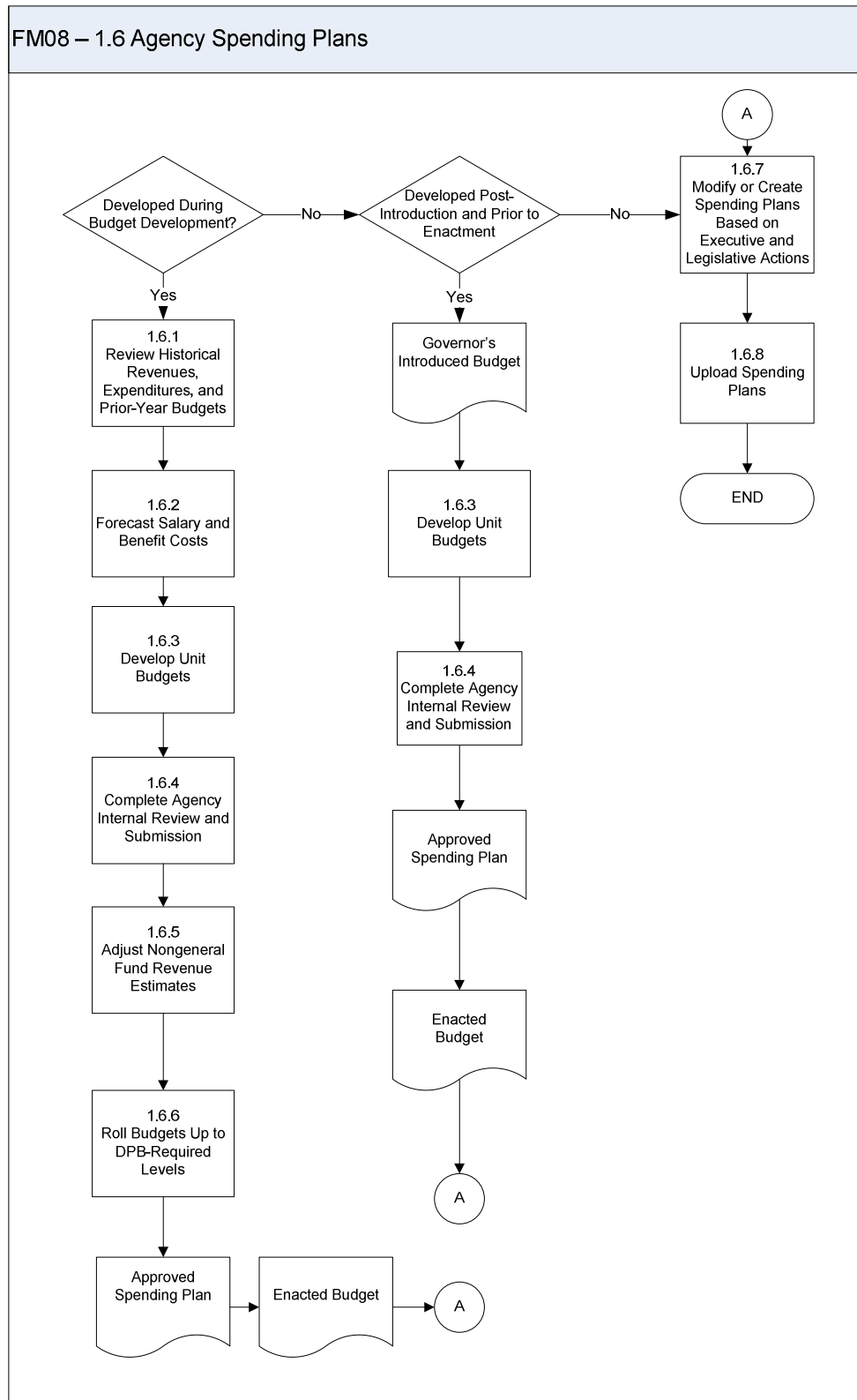
Process Details			
ID	Step	Description	Detailed Steps
1.5.1	Agencies Develop Capital Budget Proposals	<p>In the future state, development of the six-year capital outlay plan will start with information from the prior plan and an examination of other plans and schedules.</p> <p>The last four years of the existing capital outlay plan will roll to the first four years of the new plan, providing agencies with a starting point to create their new plans.</p>	<p>Step 1: Agencies will analyze other documents and plans as they begin to create/modify their six-year capital outlay plans. In analyzing these documents and plans, the agency submissions will be consistent with identified priorities. These sources of information include:</p> <ul style="list-style-type: none"> • Governor's priorities, • agency strategic and service area plans and long-term goals and objectives, • agency master plans, • long-term socio-economic indicators, • federal and state mandates, • maintenance schedules, and • capital outlay lease information. <p>Step 2: Agencies will use the new ERP system to review the last four years of their current six-year capital outlay plans in order to update the information and reprioritize their requests.</p> <p>Step 3: Agencies will review and edit their existing plan projects and create new requests for the new plan. Maintenance schedules/plans and capital outlay lease information will be used to create the appropriate requests.</p> <p>Step 4: Agencies will review and edit their requests/plans internally within the new ERP system prior to submission to DPB. Data will be entered and reviewed on Web-based forms. The forms will allow users to attach documents to their submissions such as Microsoft Excel spreadsheets, Microsoft Word documents, Adobe PDF documents, and graphic documents to assist in the development and review of the requests. Initial agency submissions will contain cost information at a high level. Information entered into the new ERP system may include the following:</p> <ul style="list-style-type: none"> • project name and description, • agency-defined fields, • estimates of project and financing costs for six years, • summary of operating budget impacts by year, • text justification, • relationships to Governor's priorities, strategic plan goals, and service area plan objectives, • performance measure impacts, • priority/ranking of importance, and • historical project information including prior plan information, maintenance schedules/plans, and capital outlay lease

Process Details			
			<p>information.</p> <p>Step 5: Agencies will submit their requests/plans to DPB for review. Workflow within the new ERP system will automatically notify DPB when the requests/plans are ready for review. In the new ERP system, agencies will be able to limit the information that DPB analysts may review with respect to plan development iterations or confidential notes on projects.</p>
1.5.2	Complete DPB Review	DPB review of agency submissions.	<p>Step 1: Complete DPB review. DPB budget analysts will receive notification within the new ERP system that an agency's requests/plan is ready for review. Workflow and security will limit the access to the plans. Generally, agencies will not be able to view changes to their plans during DPB review. Operating cost impacts will be analyzed for inclusion in the operating budget and the six-year financial plan. The capital outlay lease information will be available within the new ERP system to review build versus lease analyses. In a prior step, agencies ranked their capital budget requests. These rankings are preserved throughout the budget development process. The new system will also provide DPB with the ability to rank these capital budget requests across agencies. DPB's rankings will also be tracked in the new ERP system.</p> <p>Step 2: DPB will access the requests within the new ERP system to review and edit. The review will identify those projects that will be considered for inclusion in the Governor's introduced budget and six-year capital outlay plan. In the new ERP system, agency plan information will be reviewed by DPB budget analysts using the same Web-based forms agencies used to prepare their plans. The new ERP system will allow fields and screens to be defined that restrict some information to only the agencies, and not to DPB or other entities. Conversely, fields and screens can be made available for DPB to develop executive recommendations.</p> <p>Step 3: Plan projects that are being considered for inclusion in the first two years of the plan (the Governor's introduced budget) will be electronically routed back to the agencies for more detailed cost information. The web-based forms will require the agencies to supplement the original high-level summary information with more detailed and refined information. Agencies will then route their</p>

Process Details			
			<p>requests back to DPB for final review. All changes will be tracked. Project requests may be routed to other agencies for technical review and analysis. In the new ERP system, agencies will be able to route requests not only internally but to other supporting agencies as well.</p> <p>Step 4: Projects may be designated as “design-only” when there is insufficient information regarding project scope and requirements to accurately estimate the costs of construction and equipment. These projects will need to be reconsidered for construction and equipment funding after the initial design and planning is funded and completed.</p>
1.5.3	Complete Secretarial/Governor’s Review	Capital outlay projects will be reviewed and prioritized by the Secretaries and the Governor.	<p>Step 1: Project information will be reviewed and prioritized by the Secretaries and the Governor in conjunction with DPB and the plans will be finalized. The new ERP system will have the capability to create lists of projects by agency and by priority that are ready for review.</p>
1.5.4	Finalize Introduced Budget	Six-year capital outlay plan projects will be identified to be included in the Governor’s introduced budget.	<p>Step 1: The first two years of the six-year capital outlay plan will become the Governor’s introduced budget. Workflow and phasing within the new ERP system will continue to track the requests and subsequent changes that are made.</p>
1.5.5	Upload Enacted Budget	The final budget will be uploaded to the financial module for budget execution.	<p>Step 1: Upload the adopted budget to the financial module.</p>

6.6 Agency Spending Plans

Exhibit 6.6 – FM08 Performance Budgeting – Agency Spending Plans



FM08-1.6 – Process Thread Description – Agency Spending Plans	
Process Description:	<p>The development of agency spending plans involves creating operational budgets that will be loaded into the financial management budget execution module. In the future state (as in the current state), the process of developing agency spending plans may begin at any point during the budget development cycle:</p> <ul style="list-style-type: none"> • Prepared as part of budget development, • Prepared post-budget introduction and prior to budget enactment, and • Prepared post-budget enactment. <p>In the future state, agencies will be able to create their spending plans in the same system that they use to develop their budget submissions.</p> <p>If spending plans are developed as part of budget development, spending plans can flow through the budget development process. The level of detail at which an agency develops its budget is determined by the agency but must, at a minimum, be at the level of detail required by DPB. For example, an agency may develop spending plans by cost center. If spending plans are created as part of the budget development process, the new ERP system will have the capability to automatically roll up the spending plans to the level of detail required by DPB; the plans can then flow through as agency budget requests. Following modifications resulting from executive and legislative review of the requests, the detailed budgets must be updated based on the enacted budget.</p> <p>If spending plan development is started after introduction of the Governor’s budget but prior to enactment of the budget, then spending plans will be created through a parallel process in the performance budgeting module. However, spending plans must still be updated based on the enacted budget.</p> <p>Agencies that create spending plans post-budget enactment will need to allocate their budget amounts to their desired levels of detail in the performance budgeting module.</p> <p>Once the spending plans have been created, the data will be loaded into the financial management's budget execution module.</p> <p>Agency spending plans will use the following features available in the new ERP system:</p> <p>Budget Phases</p> <p>The agency spending plan process may be subdivided into multiple phases representing discrete steps in the development and review process. Agency spending plan phases will be determined by agencies and may vary between agencies. For example, an agency may have different phases for unit budgets and management review.</p> <p>All changes to spending plans are tracked by phase. Budget totals and changes can be reported by phase in real-time. Funding criteria can be established by phase and can subsequently change as nongeneral fund revenue and funds available forecasts evolve. Security in the future state will determine which phases of the budget process are accessible to agency and non-agency users.</p> <p>Salary and Benefit Forecasting</p> <p>Agencies will be supported by a salary and benefit forecasting tool. This tool will assist agencies in forecasting personnel costs. The salary forecasting tool will be configured to assist agencies in measuring the impacts of filling vacancies, promotions, and staff</p>

FM08-1.6 – Process Thread Description – Agency Spending Plans	
	<p>realignments.</p> <p>Virtual Reorganizations New processes will allow agencies to model proposed reorganizations. The new ERP system can present reorganizations in the context as if they had always existed with historical financial and statistical data. In addition, the system will allow users to assign attribute fields and chart of accounts elements in order to track and roll up expenditures without actually reorganizing. With attributes, users can track new initiatives across agencies or the entire Commonwealth (virtual reorganizations).</p>
Improvement Opportunities:	<ul style="list-style-type: none"> • One system of entry and record for submission information • Electronic routing of information for approval and edits • Detailed audit trail of changes to agency spending plans • Security to ensure users see only appropriate data within system • View expenditure and budget history • Detail information is entered in same system as summary information • Electronic workflow, including the routing of requests and notifications • Spending plans may be created as part of budget development
Legal/Policy Reform Impacts:	<p><u>Legal</u></p> <ul style="list-style-type: none"> • None identified at the current time <p><u>Policy</u></p> <ul style="list-style-type: none"> • None identified at the current time
Organization/People Impacts:	<p><u>Training</u></p> <ul style="list-style-type: none"> • Training on the new system and related policies and procedures will be required
Assumptions:	<ul style="list-style-type: none"> • Agency spending plans are more detailed operational budgets that will be posted in the financial management budget execution module; the development of agency spending plans may begin during budget development, after introduction of the Governor's budget but prior to enactment of the budget, or after enactment of the budget. • The system selected will be integrated with the financial and human resource/payroll systems.
Access Methods:	<ul style="list-style-type: none"> • Web Browser
System Interfaces:	<ul style="list-style-type: none"> • Human resource/payroll systems • Phase II agency financial systems

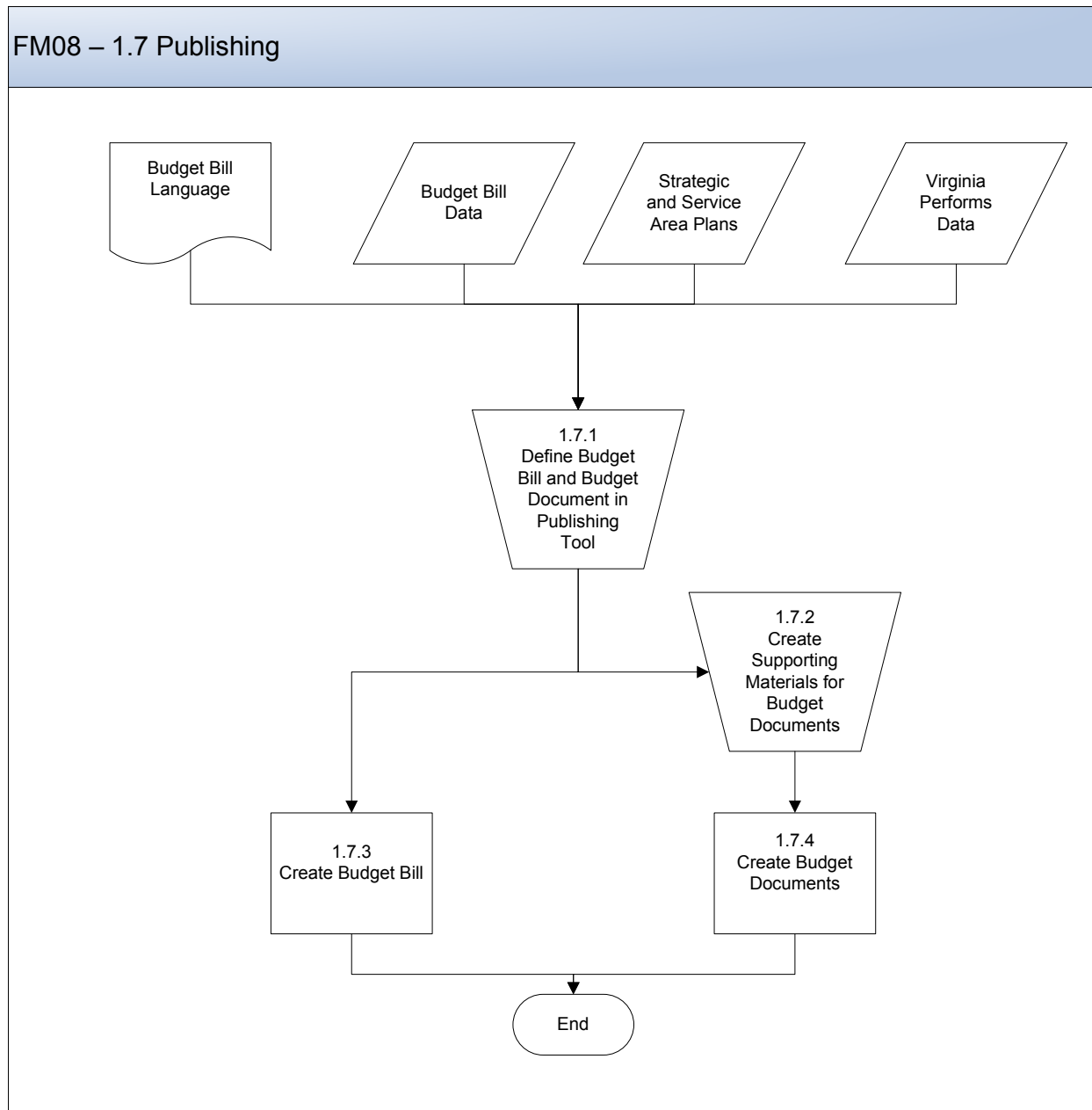
Process Details			
ID	Step	Description	Detailed Steps
1.6.1	Review Historical Revenues, Expenditures, and Prior-Year Budgets	In the new ERP system, agency budget analysts will be able to view historical expenditures together with prior-year budget amounts to assist with their base budget development. This data may be modeled using tools provided in the new ERP system and may be used as a reference or to create spending plans in a Web-based budget form.	<p>Step 1: Using standard and ad hoc reports, review actual revenues and expenditures.</p> <p>Step 2: Use modeling tools to leverage historical data as a starting point to create spending plans.</p>
1.6.2	Forecast Salary and Benefit Costs	In the future state, authorized positions will be incorporated into the performance budgeting system from the Commonwealth's	Step 1: Load the current and future cost data from the human resource/payroll systems into the salary and benefit forecasting tool.

Process Details			
ID	Step	Description	Detailed Steps
		<p>integrated human resource/payroll system. During the first project phase, agency-specific human resource/payroll data will be used to the extent available.</p> <p>The new ERP system will provide the ability to budget positions at several levels of detail:</p> <ul style="list-style-type: none"> • Subobject, • Job class, • Position, and • Individual employee. <p>Individual agencies can be forecasted at different levels of detail. If more detailed levels are selected, such as individual employee, the data can be rolled up seamlessly to the less detailed levels, such as job class or subobject.</p>	<p>Step 2: Create salary and benefit forecasts.</p> <ul style="list-style-type: none"> • Calculations will incorporate any approved or projected salary increases or known benefit rate changes. • The cost of filling vacant positions will also be calculated based on predefined salary amounts for the job classifications, together with a default set of benefits and other non-salary costs, such as uniform allowances. Current vacancies will be known since real-time data in the payroll system can be accessed. • Agencies will have the option of creating split funding for individual positions, which is helpful to estimate nongeneral fund amounts and allocations between activities.
1.6.3	Develop Unit Budgets	Agencies may use multiple phases in which to create agency spending plans. Agencies may begin by creating their lower level budgets, or unit budgets, which will automatically roll up to the total agency budget and spending plan.	<p>Step 1: Create lower-level unit budgets.</p> <p>Step 2: Agencies may rank individual unit budgets.</p>
1.6.4	Complete Agency Internal Review and Submission	<p>The new ERP system budget forms and security features used for spending plan development will allow for agency review and modification of their requests without re-entry of data. Agencies will be able to establish workflow rules to guide the internal review and approval of their individual spending plans.</p> <p>Agencies may develop their spending plans at greater levels of detail than DPB requires for budget submissions. In the future state, agencies will not need to manually summarize their detail data. The new ERP system will provide an automated method to summarize their detailed entries to the fund, fund detail, program, service area,</p>	<p>Step 1: Define how many levels of review or approval are required and whether the changes made at each review level are separated for reporting purposes (phases) or combined into a single request amount.</p> <p>Step 2: Prioritize unit budgets.</p> <p>Step 3: Based on estimated nongeneral fund revenues and anticipated general fund appropriations, agencies may create multiple scenarios for their spending plans.</p> <p>Step 4: The new ERP system will summarize data to DPB-required levels.</p>

Process Details			
ID	Step	Description	Detailed Steps
		<p>and major object/subobject level. This is critical for agencies that create spending plans as part of budget development.</p> <p>Agencies may utilize the new ERP system ranking tools to prioritize unit budgets. Units may prioritize activities within their budgets and agency management can prioritize unit budgets across the agency.</p>	
1.6.5	Adjust Nongeneral Fund Revenue Estimates	During the spending plan development process, agencies will continue to refine nongeneral fund revenue estimates. As estimates change, adjustments may be made to spending plans.	Step 1: Modify spending plans based on nongeneral fund revenue estimates. Based on previously prioritized unit budgets, agencies may select different scenarios that were created during prior steps.
1.6.6	Roll Budgets Up to DPB-Required Levels	If spending plans are created as part of the budget development process, the new ERP system will have the capability to automatically roll up the spending plans to the level of detail required by DPB; the plans can then flow through as agency budget requests.	Step 1: Roll up spending plans to level of detail required by DPB.
1.6.7	Modify or Create Spending Plans Based on Executive and Legislative Actions	Budgets are enacted at the level of detail that was required by DPB during the budget development process. Executive and legislative modifications must be reflected in final agency spending plans.	<p>Step 1: Modify or create spending plans.</p> <ul style="list-style-type: none"> • If spending plan was created during budget development process, allocate executive and legislative changes to desired level of detail. • If spending plan development was initiated after the budget was introduced but prior to enactment, modify the spending plan to reflect the enacted budget. • If spending plan is created post-enactment, spread the enacted budget to the desired level of detail.
1.6.8	Upload Spending Plans	The final spending plans will be uploaded to the financial module for budget execution.	Step 1: Upload the final spending plans, based on the enacted budget, to the financial module.

6.7 Publishing

Exhibit 6.7 – FM08 Performance Budgeting – Publishing



FM08-1.7 – Process Thread Description – Publishing	
Process Description:	<p>Published documents will be created using an automated document publishing tool. The budget bill and budget document are two published documents that have been identified. The publishing tool may also be used for agency-specific publications.</p> <p>The budget bill is comprised of mostly data and text with formatting, ordered by item number, which is mapped to agencies and programs. The budget document is used to communicate the proposed budget changes, an economic forecast outlining the status of Virginia's economy, and a revenue forecast reviewing the Commonwealth's fiscal</p>

FM08-1.7 – Process Thread Description – Publishing	
	<p>outlook including the projected revenues on which the budget changes are based. The document also includes summary agency strategic and service area plan information. The budget document currently contains charts, text, and budget tables.</p> <p>In the future state, tools will be utilized that integrate live data from ERP applications in addition to various file data, such as Microsoft Word documents, organization charts, Adobe PDF documents, and image files. Charts and graphs will be created automatically by the tool, which will access live ERP application data instead of manually creating each element and combining the data in the budget bill or budget document. To maximize consistency, the new ERP system will include the ability to carry one consistent font throughout the document. This is done by converting styles in documents such as Microsoft Word into styles used in the budget document. The publishing tool can also print left and right pages differently to accommodate typical page numbering and layouts, including always starting new sections on a right page. This functionality is built into the publication layout and does not need manual intervention at production time.</p> <p>The automated publishing tool can take last-minute changes and incorporate them into the document simply by rerunning the template. This will result in a savings in time and effort compared to current practices. In the future state, the new ERP system will automatically generate a table of contents, pagination, and indexes. When the document software is run, these elements are automatically updated, reducing the costs of running (and rerunning) the document.</p> <p>Budget Bill</p> <p>The budget bill is currently produced by the Division of Legislative Automated Systems (DLAS) and can be printed by DPB. DPB currently relies on access to these systems in order to view the budget bill.</p> <p>Currently, DLAS e-mails language to DPB with .doc extensions, where it is edited by DBP staff in Microsoft Word and uploaded back to the DLAS database. The HTML data is stored in a DB2 database.</p> <p>The current state system involves the sharing of confidential executive branch information (budget bill) with legislative (DLAS) staff and direct access to a legislative system by the executive branch. This current state functions well due to the close working relationship between legislative (DLAS) and executive (DPB) staff. However, this reliance on long-term relationships and “handshake agreements” poses potential future risks.</p> <p>In the future state, instead of e-mailing Microsoft Word documents, an on-line document management system will be utilized that can be accessed by DPB and DLAS. The data will still be stored in a database as HTML, but the data can be accessed and modified via a Web browser or by Microsoft Word. A user can access the budget bill by item number and make changes directly on the screen, automatically storing the data in the database. Since there will be only one version that is being edited, there are no issues of version control. Immediately upon saving, both DLAS and DPB can access the updated data. The tool can track changes and save point-in-time versions to allow users to look back at prior versions if necessary. The editor can have pre-programmed functionality that maps to requirements such as the unique outlining and formatting that is used. In the future state, DPB may be able to make some edits such as strikethroughs automatic as part of a track changes functionality.</p> <p>The budget bill will be created using an automated document publishing tool. Publishing tools allow for the design of complex reporting requirements that can be executed using</p>

FM08-1.7 – Process Thread Description – Publishing	
	<p>real-time ERP data and updated budget language.</p> <p>Budget Document</p> <p>Currently, the budget document is comprised of Microsoft Access reports and various other documents that are joined together to create Adobe PDF documents. The current production process is time-consuming due to staff efforts to develop Microsoft Access reports, but this effort results in less time spent at the end of the publishing process.</p> <p>The major issues that exist today that will be addressed in the future state include:</p> <ul style="list-style-type: none"> • no consistent look throughout the document, • manual rework is required each time the document is assembled, • no ability to create indexes, and • difficulty incorporating organization charts, jpeg image files and other files in a seamless manner. <p>In the future state, an automated document publishing tool in the ERP system will provide the ability to create a flexible and dynamic budget document layout. The publishing tool will provide for the consolidation of Microsoft Word documents, ERP data, Adobe PDF files, jpeg image files, and other file types into one single budget document that is executed with live data at run-time. This will provide a consistent and coherent budget document that will successfully communicate the proposed budget changes, strategic planning and performance assessment information, and the Commonwealth's fiscal outlook.</p>
Improvement Opportunities:	<p>The future state budget bill system will provide flexibility to DPB, since staff will be able to produce updated budget bills at any time and print to Adobe PDF or other file formats. They will be able to view the entire budget bill, formatted as it will appear in the final version, at any stage during the process without the need to rely on other agencies to provide access or software.</p> <p>The published budget documents will have a consistent look and feel throughout the documents and between the documents. Features will include automatic page numbering, creation of tables of contents (with links) and indexes, and the ability to integrate various sources of information, such as organization charts, jpeg image files, ERP data, and other sources. This will create readable, polished publications. In addition, the ability to create the budget document layouts in advance and refresh the document with updated data without manual rework is a powerful feature. Due to the capabilities in the future state, additional budget documents can also be produced that provide more meaningful information to citizens.</p>
Legal/Policy Reform Impacts:	<p><u>Legal</u></p> <ul style="list-style-type: none"> • The system must ensure compliance with statutes regarding the required content of the budget bill and the budget document • Confidentiality issues regarding Governor's working papers also must be addressed <p><u>Policy</u></p> <ul style="list-style-type: none"> • None identified at the current time
Organization/People Impacts:	<ul style="list-style-type: none"> • Publishing tools are generally more demanding technically and require more unique skill sets to maintain; DPB currently has these capabilities in-house
Assumptions:	<ul style="list-style-type: none"> • None
Access Methods:	<ul style="list-style-type: none"> • Client software may be used for report and publication development
System Interfaces:	<ul style="list-style-type: none"> • May need to have interfaces with DLAS systems • Other interfaces are not required since the application should be able to connect directly to other data sources including databases; access to the data sources,

FM08-1.7 – Process Thread Description – Publishing	
	however, will be required

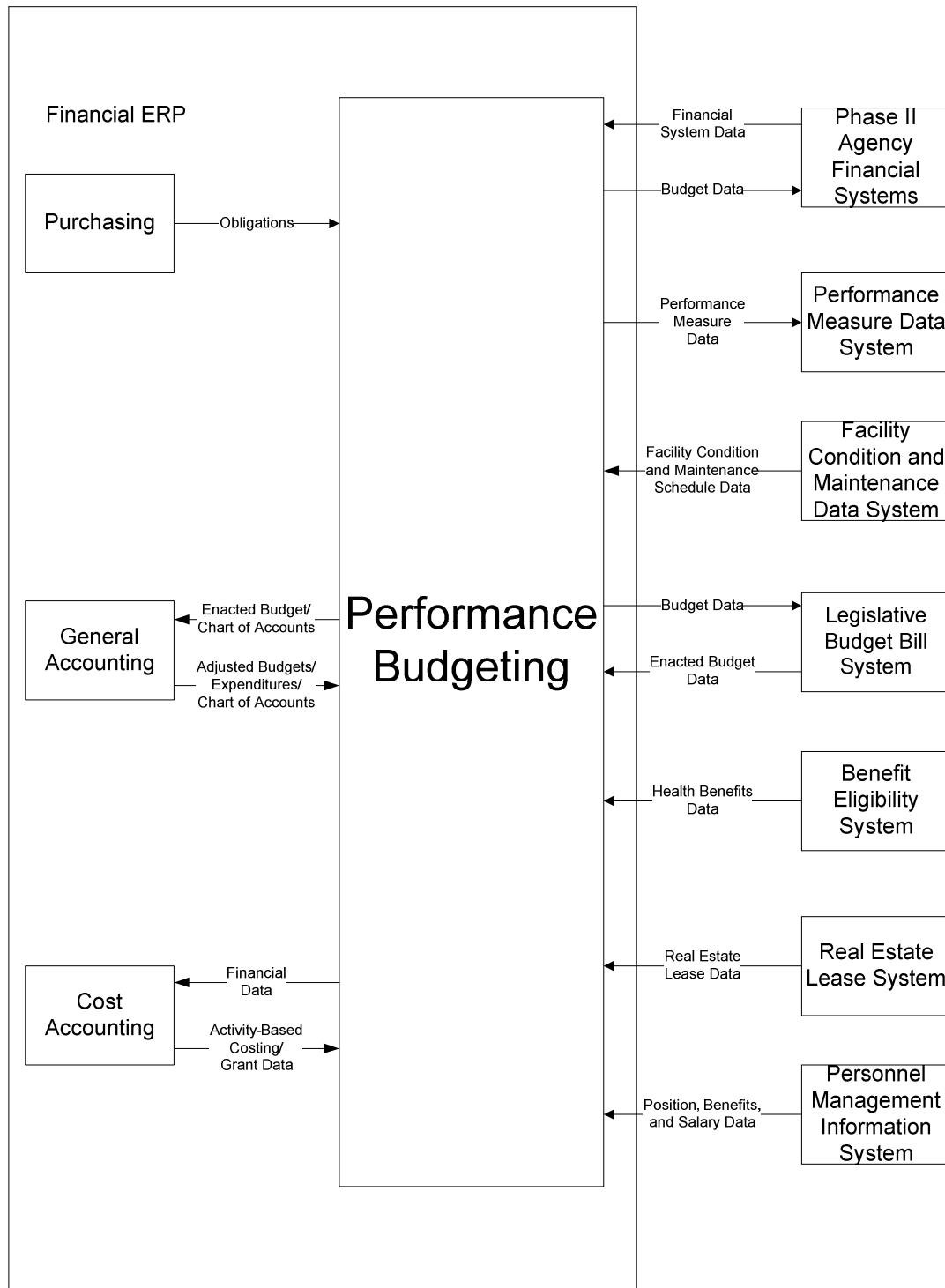
Process Details			
ID	Step	Description	Detailed Steps
1.7.1	Define Budget Bill and Budget Document in Publishing Tool	Create budget bill and budget document requirements. Make any required updates in the ERP application to reflect any changes to the budget document.	Step 1: Create the requirements and design for the budget document. Step 2: Using the automated document publishing tool, create the budget bill and budget document templates for the documents, which will be updated with real-time data when executed.
1.7.2	Create Supporting Materials for Budget Documents	Some of the information included in the budget bill and budget document may not be in the new ERP system. This includes Microsoft Word documents, Adobe PDF documents, organization charts, jpg image files, and other documents. These documents will have to be created.	Step 1: Create any supporting documents that require narrative or data that is not contained in the new ERP system.
1.7.3	Create Budget Bill	In the future state the budget bill can be created by DPB.	Step 1: Print the budget bill. This can be done on demand with updated budget bill information in a print-ready format and saved as an Adobe PDF document or in other formats.
1.7.4	Create Budget Documents	<p>In the future state, DPB will continue to print a limited number of budget documents and will post the Adobe PDF information on its website. There may be three levels of information created related to the current budget document:</p> <ol style="list-style-type: none"> Budget Document: This will be similar to the current budget document, but the information will reflect the greater focus in the future state on performance-based budgeting. Citizen's Guide to the Budget: This is a summary version of the budget document, focused on key information required by citizens. This will be a 	Step 1: Using the future state ERP application, produce the budget document(s).

Process Details			
ID	Step	Description	Detailed Steps
		<p>high-level document that does not include detailed budget information or as much narrative as the budget document.</p> <p>3. On-Line Detailed Budget Document: This is also similar to what is done today – the budget document is posted on DPB's website and users are able to drill down into the details of the budget.</p>	

7. Data Flow Details

This section details the flows of data both in and out of the business process and will assist in identifying the new system's impact to existing systems and processes.

Exhibit 7.1 – FM08 Performance Budgeting – Data Flow Diagram



Data Flow Details			
Entity	Flow	Data Name	Description
Phase II Agency Financial Systems	In	Financial System Data	Data may be stored by agencies at greater levels of detail than exists in CARS. This data may be required by agencies in order to create spending plans.
Phase II Agency Financial Systems	Out	Budget Data	Agency spending plans may be created at greater levels of detail than what is loaded to CARS. In order to not lose this detail and to eliminate manual entry, interfaces may be required.
Performance Measure Data System	Out	Performance Measure Data	Performance budgeting will populate Virginia Performs with objectives, performance measures, baselines, and targets.
Facility Condition and Maintenance Data System	In	Facility Condition and Maintenance Schedule Data	FICAS contains data that may be used to create maintenance reserve plans and budgets.
Legislative Budget Bill System	Out	Budget Bill Data	DPB interfaces with DLAS's system in order to produce the budget bill.
Legislative Budget Bill System	In	Enacted Budget Data	Upon approval of the Appropriation Act, DLAS's system must interface with PROBUD in order to "load" the Appropriation Act.
Benefit Eligibility System	In	Health Benefits Data	Prior to implementation of

Data Flow Details			
Entity	Flow	Data Name	Description
			the ERP human resource/payroll system, an interface may be required for health benefit data used to forecast personnel costs.
Real Estate Lease System	In	Real Estate Lease Data	Data related to existing leases will be interfaced to assist with lease/build/buy analyses.
Personnel Management Information System	In	Position, Benefits, and Salary Data	Prior to implementation of the ERP human resource/payroll system, an interface may be required for personnel data, background tables for calculating salaries, and health benefit data used to forecast personnel costs.

8. References

8.1 Information Sources

The documents that were used as references to the *Financial Management – Performance Budgeting* business process are as follows:

- Enterprise Business Architecture (EBA) Line of Business 438 Financial Management
- Virginia Enterprise Applications Architecture Initiative Section 3 Financial Management
- Instructions for Preparing the Base Budget, Base Adjustment, and Technical Adjustment Submissions
- Instructions for Completing the Six-Year Nongeneral Fund Revenue Estimates
- Instructions for Developing the Six-Year Capital Budgeting Request for 2006-2012
- Instructions for Preparing Agency Strategic Plans & Service Area Plans
- Instructions for Preparing the Decision Packages
- Due Diligence Deliverable Financial Management
 - Financial Management Multiple Choice Responses
 - Financial Management Selected Text Responses
 - Financial Management Tower Summary
- Virginia Department of Transportation, FMS Upgrade Project

- Other State Requirements from Ohio, Tennessee, Iowa, Maine and the Commonwealth of Massachusetts
- Various web sites within The Commonwealth
 - DPB - <http://www.dpb.virginia.gov/index.cfm>
 - Virginia General Assembly - <http://legis.state.va.us/>
 - House Appropriations Committee - <http://hac.state.va.us/welcome.htm>
 - Senate Finance Committee - http://leg3.state.va.us/quickplace/sfc2006/main.nsf/h_Toc/2555596BA269EBDA85257178006FD848/?OpenDocument
 - Council on Virginia's Future - <http://www.future.virginia.gov/Index.htm>
 - Department of Accounts - <http://www.doa.virginia.gov/>
 - Department of Human Resource Management - <http://www.dhrm.state.va.us/>
- John Mercer, Performance Based Budgeting - <http://www.john-mercer.com/pbb.htm>





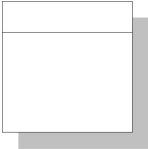
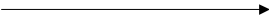
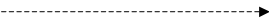



8.2 Definitions, Acronyms and Abbreviations

The terms defined for the *Financial Management – Performance Budgeting* Future State Environment document are as follows:

Term	Definition
ABC	Activity-Based Costing
APA	Auditor for Public Accounts
BDM	Budget Development Master (Microsoft Excel file)
BP	Business Process
CAFR	Comprehensive Annual Financial Report
CAPP	Commonwealth Accounting Policies & Procedures Manual
CARS	Commonwealth Accounting & Reporting System
CIPPS	Commonwealth Integration Payroll/Personnel System
CMIA	Cash Management Improvement Act
COA	Chart of Accounts
COLA	Cost of Living Adjustment
COVF	Council on Virginia's Future
COTS	Council on Technology Services
DOA	Department of Accounts
DGS	Department of General Services
DHRM	Department of Human Resource Management
DLAS	Division of Legislative Automated Systems
DPB	Department of Planning and Budget
EBA	Enterprise Business Architecture


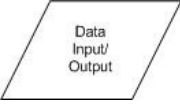
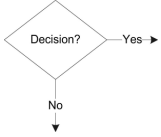


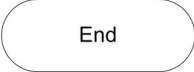
Term	Definition
EDI	Electronic Data Interchange
EFIS	Electronic Fiscal Impact Statement System
ERP	Enterprise Resource Planning
FAACS	Fixed Asset Accounting & Control System
FATS	Form 27 Automated Transaction System
FICAS	Facility Inventory and Condition Assessment System
FINDS	Financial Information Downloading System
FIS	Fiscal Impact Statement
Form FS	Report on Federal Contracts, Grants or Money (Microsoft Word template)
Form NJ	DPB Narrative Justification (Microsoft Word template)
Form OM	Organizational Memberships of State Agencies
Form OYF	Out-Year Cost Estimates (Microsoft Excel template)
Form RANJ	Rate Adjustment Narrative Justification (Microsoft Word template)
Form TR-1	Technology Project Profile (Microsoft Word template)
GL	General Ledger
HR	Human Resource
HTML	Hyper-text Markup Language
LIS	Legislative Information System
NGF	Nongeneral Fund
PB	Performance Budgeting
PMIS	Personnel Management Information System
PPEA	Public-Private Education Facilities Infrastructure Act
SOW	Statement of Work
TAN	Form TAN, Technical Adjustment Narrative
VEAA	Virginia's Enterprise Application Architecture
VEAP	Virginia Enterprise Applications Program
VITA	Virginia Information Technologies Agency
WebBEARS	Budget Entry and Reporting System

The definitions of the shapes used in the diagrams in Section 2 of the *Financial Management – Performance Budgeting* Future State Environment document are as follows:

Diagram Shape	Definition
	Server symbol represents a server or feeder system transmitting data to or receiving from the main system.
	Main System represents mainframes or the future ERP solution.
	User/Manual interaction symbol.
	Paper document symbol.
	Application symbol.
	Required function symbol.
	Optional function symbol.
	Use the group box symbol around multiple symbols to simplify and/or emphasize functions specific to a group i.e. in-scope/out-of-scope agencies.
	Connector symbol is used to avoid crossing of lines and maintain flow going from left to right.
	Agency symbol is used to represent internal/external agencies or organizations involved in the process. It is unknown at this time if a system exists.

The definitions of the shapes used in the diagrams in Section 5 of the *Financial Management – Performance Budgeting* Future State Environment document are as follows:

Diagram Shape	Definition
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Diagram Shape	Definition
	Pre-defined Process symbol is used to represent the defined process threads.
	Data input/output symbol represents incoming or outgoing data.
	Decision symbol is used when the process requires a decision to proceed.
	Directional Arrow symbol is used to reflect flow from one symbol to the next.
	Connector symbol is used to avoid crossing of lines and maintain flow going from left to right.
	End Symbol is used to end the process.

The definitions of the shapes used in the diagrams in Section 6 of the *Financial Management – Performance Budgeting* Future State Environment document are as follows:


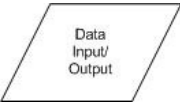

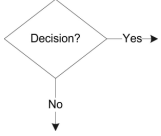




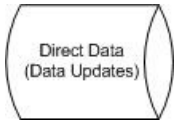
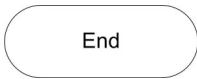


Diagram Shape	Definition
	Pre-defined Process symbol is used to represent the defined process threads.
	Data input/output symbol represents incoming or outgoing data.
	Process symbol is used to represent the process thread steps.
	Decision symbol is used when the process requires a decision to proceed.
	Directional Arrow symbol is used to reflect flow from one symbol to the next.

Diagram Shape	Definition
	Connector symbol is used to avoid crossing of lines and maintain flow going from left to right.
	Paper document symbol.
	Manual Operation symbol.
	Direct Data updates symbol.
	End Symbol is used to end the process.

The definitions of the shapes used in the diagrams in Section 7 of the *Financial Management – Performance Budgeting* Future State Environment document are as follows:

Diagram Shape	Definition
	Entity symbol outside of the ERP represent external system interfaces. Entity symbol inside of the ERP represent interaction between internal modules.
	Directional Arrow symbol is used to reflect flow from one symbol to the next.

Appendix A – Product Requirements – Performance Budgeting Business Process